

Publication of the resolution and the system for the remuneration of Executive Board members pursuant to § 120a para. 2 AktG

The Annual General Meeting of KAP AG on 31 August 2022 adopted under agenda item 9. "Resolution on the approval of the remuneration system for the members of the Executive Board" remuneration system for the members of the Executive Board - as announced in the convening 31 August 2022 - was approved.

REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD OF KAP AG

1. GENERAL

The present remuneration system aims to:

- promote the business strategy and contribute to KAP AG's long-term development,
- allow the Management Board to participate in the economic successes but also in any negative performance of KAP AG (pay for performance),
- guarantee reasonable but at the same time competitive remuneration for the Management Board.

KAP AG is a medium-sized industrial holding company. Its strategic focus lies in profitable segments in attractive markets with long-term growth potential. These include mid-sized production companies in attractive niche markets. The KAP group companies develop products, technical solutions and services generating substantial added value for customers and thus justifying attractive margins. KAP AG operates in several industrial segments with various technologies, thereby distinguishing itself through its high quality standards and its engineering competence.

Its overriding aim is to grow profitably in the long term. In this context, KAP AG has built up a diversified portfolio of medium-sized companies. With its long-term segment strategy, the Company continually drives the establishment and development of high-margin industrial sectors to market leaders. In doing so it offers an optimum mix combining the flexibility of a mid-sized company with the economies of scale generated by an international listed corporate. This in turn benefits the segment companies, customers and shareholders.

The KAP Group successfully met the challenges in the pandemic years 2020 and 2021 and took the opportunity to bundle the following strategic improvement initiatives, which had already been launched, into a coordinated strategy programme called "Accelerate":

- increasing sales focus,
- securing future prospects,
- increasing efficiency,
- optimising financial flexibility,
- optimising and expanding the portfolio,

- expanding overarching risk management.

This strategy programme forms the basis for current corporate planning.

The remuneration of the members of the Management Board should be linked to the business strategy and the corporate planning developed on this basis. A large proportion of the remuneration should thus be performance-based. On the one hand, it should be linked to targets derived from the business strategy or the corporate planning developed on this basis, and on the other hand, a significant proportion of the performance-based remuneration should be granted in the form of virtual shares. The current business strategy and the current corporate planning aim to generate long-term profitable growth. At the same time, the planned growth will serve KAP AG's long-term development. In being granted virtual shares, the members of the Management Board are to be given the opportunity to participate in the successful implementation of the growth strategy. The remuneration system thus makes a contribution to promoting the business strategy and to the Company's long-term development.

1. PROCEDURE FOR DEFINING AND IMPLEMENTING AS WELL AS REVIEWING THE REMUNERATION SYSTEM

The Supervisory Board is responsible for defining, implementing and reviewing both the remuneration and the remuneration system for members of the Management Board. No service agreements for Management Board members are in place between KAP AG and the current Management Board members at the time the Supervisory Board resolution on this remuneration system is adopted. Rather, the two current members of the Management Board are at the same time managing directors of CSP Diamant Administration GmbH (CSP). They each have a managing director service agreement in place with CSP, and KAP AG is party to these agreements, together with the respective Management Board member and CSP. The remuneration to be paid by CSP under the managing director service agreement is at the same time the Management Board remuneration and will subsequently be invoiced to KAP AG by CSP. This remuneration system applies irrespective of whether the Management Board remuneration is paid by CSP or any other third party or directly by KAP AG.

This system for remunerating the members of the Management Board was developed on the basis of the existing managing director service agreements signed by the current Management Board members. A comprehensive remuneration system was then developed on this basis. This will be applied in relation to the members of the Management Board newly or re-elected at the Annual General Meeting on 31 August 2022 or amendments to agreements in place with current Management Board members. The existing managing director service agreements are essentially in line with the remuneration system described herein. Any such amendments would require a corresponding amendment agreement to be concluded between the respective member of the Management Board, CSP and KAP AG.

When defining the remuneration system, the remuneration of managers within the KAP Group (the first and second management levels under the Management Board) were taken into account in order to ensure an objective and reasonable distinction between the target remuneration for members of the Management Board and the subsequent management levels. The group-wide terms of employment were taken into consideration in this context. An assessment of how the managers' average annual remuneration relates to the Management Board remuneration was conducted.

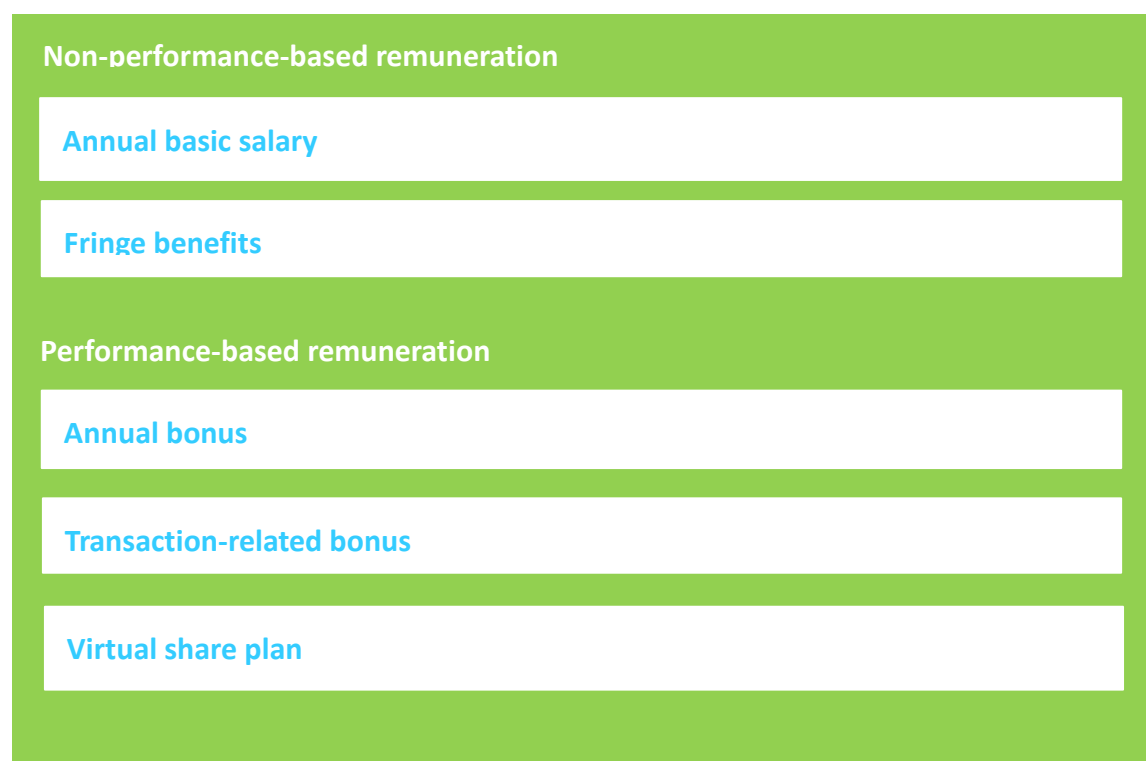
The Supervisory Board developed the current remuneration system for members of the Management Board in consultation with external legal advisers and adopted the relevant resolution on 11 July 2022.

The Supervisory Board will review the Management Board members' remuneration and the corresponding remuneration system at least once a year at its accounts meeting. In this context, it will in particular review the reasonableness of the overall remuneration awarded to the individual members of the Management Board. If necessary, the Supervisory Board will adjust the remuneration system and present the new system to the next Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system, a revised remuneration system will be presented to the next Annual General Meeting. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

It is almost impossible for conflicts of interest to arise in this context due to the fact that the law awards responsibility for determining, reviewing and implementing the remuneration system for members of the Management Board to the Supervisory Board. No conflicts of interest faced by individual members of the Supervisory Board in the context of decisions passed by the Supervisory Board on issues relating to the compensation system for Management Board members have arisen in the past. Should such conflicts of interest arise in the future, they are to be disclosed by the Supervisory Board member. Depending on the type of conflict, the respective Supervisory Board member will abstain from voting and if necessary will not participate in discussions on the relevant agenda item. Where such conflicts of interest relating to the identity of the Supervisory Board member are material and not merely temporary, the respective member will resign their position on the Supervisory Board.

2. COMPONENTS OF MANAGEMENT BOARD REMUNERATION

The Management Board remuneration comprises non-performance-based and performance-based components. These are summarised below:



The non-performance-based remuneration comprises the annual basic salary and fringe benefits. The performance-based remuneration comprises a short-term variable remuneration component,

the annual bonus and a potential transaction-related bonus, and a long-term variable remuneration component, namely the virtual share plan.

3.1 Non-performance-based remuneration

(a) Annual basic salary

The Management Board member receives an annual basic salary paid out in twelve equal monthly instalments.

(b) Fringe benefits

The annual basic salary is complemented by the following contractually guaranteed fringe benefits:

The Management Board member is entitled to a company car which may also be used for private purposes. The Management Board member may instead opt to receive a monthly lump-sum payment of EUR 1,000.00 (gross).

Where the Management Board member receives their remuneration under a managing director service agreement with CSP or a third party, their employee contribution to social security will be reimbursed if it is payable on the grounds of their employment as managing director of CSP or a third party and would not be payable if the Management Board member was only a member of the Management Board of KAP AG and only had a management board member service agreement with KAP AG. Such reimbursement will be made on a net basis, i.e. income tax payable on such reimbursement will also be reimbursed.

Accident insurance will be taken out for the Management Board member and will also cover accidents that occur outside of their contractual activities. The insurance contributions will be assumed on behalf of the Management Board member.

Should a Management Board member relocate their place of residence at the Company's request, they may be granted additional payments to cover removal costs, accommodation costs, language courses for the Management Board member and their family, international school costs, etc.

The value of all fringe benefits granted in a single financial year must not exceed 20% of the annual basic salary for that financial year.

(c) Pension commitments

No old-age pension commitments have been made.

(d) Compensation for the expiry of rights

Where, prior to a member's move to the Management Board of KAP AG, any remuneration payments already accrued expire due to this move, compensation may be granted. Any such compensation will not be taken into account when calculating the target remuneration. The value of such compensation must not exceed 100% of the annual basic salary (for a full financial year). The compensation is to be paid in cash. It may take the form of a one-off payment or be paid in several instalments.

3.2 Performance-based remuneration

(a) Annual bonus and transaction-related bonus

The annual bonus together with the transaction-related bonus constitute the performance-based short-term variable remuneration.

(i) Annual bonus

The annual bonus is a short-term, performance-based remuneration component for a single year which is granted annually.

Annual bonus

$$\text{Target bonus} \quad \times \quad \text{Total target achievement level} \quad = \quad \text{Payment amount} \\ \text{(max. 200\%)} \quad \quad \quad \text{(cash or up to} \\ \text{50\% in shares)}$$

Structure

The annual bonus is granted in the form of a target amount agreed in the service agreement (**target bonus**), which is paid out at 100% if target achievement for all targets for the respective financial year, taking their respective weighting into account (**total target achievement level**) is 100% in total. As a rule, the targets are defined on an annual basis at the latest one month after the annual financial statements for the previous year were approved and after being discussed with the Management Board member. Targets may be defined at a later point in the financial year if a member is appointed to the Management Board during the course of a financial year or for other justified reasons.

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for the financial year is reviewed and the resulting bonus amount defined. The bonus thus defined is payable one month after the annual financial statements for the respective financial year have been approved.

Both financial and non-financial targets are to be defined. The financial targets will be attributed a total weighting of up to 75% and the non-financial targets a weighting of at least 25%. The target achievement level may be anything between 0% and 200%. In this context, a target achievement corridor will be defined for each target in addition to the target value representing 100% target achievement. The lower value for the corridor will be defined as the value below which the target achievement level is 0% and the upper value is the value as of which the target achievement ratio is 200% (cap). The interim values will be calculated by way of linear interpolation. The total target achievement level is calculated in line with the correspondingly weighted target achievement levels for the individual targets.

For the financial targets, the "normalised" group EBITDA, adjusted to account for special items, and the group cash flows from operating activities are taken as performance criteria. The target values that represent 100% target achievement are derived from the annual planning for the relevant financial year which in turn is derived from the longer-term planning, which itself is based on the business strategy. The values from the annual financial statements for the relevant financial year are taken as a basis in order to determine the target achievement level.

Qualitative targets which constitute specific steps towards implementing the business strategy and are derived from the business plans are defined as non-financial targets. These are, specifically, structural measures or significant projects which serve to align the KAP Group's structures with the planned growth or to drive the growth as planned. They include measures and projects for implementing the strategic improvement initiatives in particular. For individual non-financial targets, the Supervisory Board, taking the corporate planning into account, will define milestones (degree of implementation at particular points over time). The level of target achievement will be determined on the basis of these milestones, which will be translated into numeric values for this purpose.

The specific weighting of the individual targets will be determined at the latest when the targets are defined.

Possibility of payment in the form of shares

An agreement may be reached to the effect that, where possible, up to 50% of the gross payment amount for the annual bonus is paid in the form of KAP shares (**share portion**). The Management Board member can dispose of the KAP shares with immediate effect. The number of KAP shares to be granted in this context is determined by dividing the corresponding portion of the gross payment amount by the unweighted average of closing prices for KAP shares in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the past 20 trading days prior to adoption of the annual financial statements for the respective financial year. Insofar as taxes or social security contributions are to be retained on the share portion, the number of shares to be granted will be reduced in line with the amount to be retained. Should it prove impossible to grant KAP shares despite reasonable efforts, the due date will be postponed by one month. Where the share portion cannot be granted in the form of KAP shares, the (full) share portion may also be paid out in cash. The further details relating to the structure of the share portion and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

Promoting the business strategy and the Company's long-term development

The performance criteria selected for the financial targets are key control parameters for the Company. They represent significant indicators of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being granted KAP shares, Management Board members can participate in the successful implementation of a business strategy designed to generate long-term profitable growth. Here, too, the intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

(ii) Transaction-related bonus

The transaction-related bonus is a short-term performance-based remuneration component.

Transaction-related bonus

$$\text{Annual basic salary} + \text{Annual bonus in case of 100\% target achievement level} = \text{Payment amount (max. 200\%)}$$

Structure

The target amount in case of a target achievement level of 100% for the transaction-related bonus is intended to be 100% of the sum of the annual basic salary and the annual bonus (in case of a target achievement level of 100%), and the maximum amount of this special bonus is intended to be 200% of this sum.

The transaction-related bonus is intended to enable the Company and the major shareholders to agree with the members of the Management Board on the payment of a volume-based and performance-related special bonus in the event of the execution of one or several extraordinary transactions. Upon completion of such a transaction, it will be established to what extent the member of the Management Board has reached the targets set for the relevant transaction and what the resulting *de facto* bonus amount is.

(b) Virtual share plan

The virtual share plan is a long-term, performance-based remuneration component spanning several years which is granted on an annual basis whereby a certain number of virtual shares is allocated after the end of a financial year depending on whether certain targets for that financial year were achieved.

Virtual share plan

$$\text{Target allocation amount} \times \text{Total target achievement level (max. 200\%)} = \text{De facto allocation amount}$$

$$\text{De facto allocation amount} \times \text{Initial value} = \text{No. of virtual shares}$$

$$\text{No. of virtual shares} \times \text{Final value} = \text{Payment amount (max. 4x target allocation amount)}$$

Allocating virtual shares

The virtual share plan is granted in the form of a target allocation amount specified in the service agreement (**target allocation amount**) which is converted 100% into virtual shares if the total target achievement level for the respective financial year is 100%. The targets and their weighting, as well as determination of the total target achievement level, including the cap, correspond to those of the annual bonus (see section 3.2(a)(i) above).

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for that financial year is reviewed and the resulting actual allocation amount calculated. The number of virtual shares is determined by dividing the actual allocation amount by an average price of the KAP share prior to allocation (**initial value**). The initial value is the unweighted average of the closing prices of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the entire financial year in question or, where the agreement commenced during the course of the year, in the period from the agreement start date to the end of the respective financial year. It may be agreed that the initial value is to be replaced by another average price or another calculation, although the relevant period must be at least one month.

The virtual shares will be allocated once the annual financial statements for the relevant financial year have been approved.

Structure of virtual shares

The virtual shares have a term of four full years. The term begins upon allocation of the virtual shares, and at the latest one month after the annual financial statements for the respective financial year were approved. It may be agreed that the term is to begin with retroactive effect, specifically either at the end of the day on which the annual financial statements for the respective year were approved or from the beginning of the financial year following the respective financial year for which the virtual shares were allocated.

Once the four-year term has expired, the Management Board member will receive payment of an amount per virtual share for the relevant virtual shares, with the amount being calculated as follows: The payment amount is equal to the unweighted average of the closing prices for the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the last 30 trading days of the four-year term plus an amount taking into account the dividends paid by KAP AG on KAP shares over the term and other payments, as well as any subscription rights granted (**final value**). In respect of the value of the additional amount, the Management Board member will be placed in a position as if:

- the dividends or other payments on a KAP share, in each case on their due date,
- the subscription rights had been disposed of in each case on the first trading day in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange after being granted and, on the same day, the proceeds of such disposal

had been invested on the same day in KAP shares or fractions thereof at the closing price of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange on this day and these shares in turn were disposed of at their final value (with the relevant term only beginning upon the respective investment being made).

In the event of a capital increase from Company funds, a reverse stock split, a stock split, a capital reduction with the number of shares being reduced or any other corporate action or structural measure and in the event of a dividend payment or distribution with an effect similar to any of the above measures, an adjustment will be performed in order to ensure that such measure does not lead to a dilution or increase in profits for the Management Board member.

The payment amount for all virtual shares granted for a financial year must not exceed four times the target allocation amount (cap), however. Moreover, a possibility for limiting the payment amount resulting from the virtual shares in case of exceptional developments may be agreed.

Payments on the basis of the virtual share plan will be made within 30 calendar days after the end of the term of the relevant virtual shares.

If, during the term of the virtual shares, the service agreement is terminated for good cause (*aus wichtigem Grund*) in line with section 626 (1) of the German Civil Code (*Bürgerliches Gesetzbuch; BGB*) which falls within the Management Board member's sphere of responsibility or if the Management Board member's appointment is revoked for good cause in line with section 84 (4) AktG or if the Management Board member illegitimately declares termination of the service agreement for good cause, the respective virtual shares will expire in full and the Management Board member will have no claim to payment or compensation in this regard.

The virtual shares cannot be transferred. In deviation from this, it may, however, be agreed that the virtual shares or claims hereunder may be bequeathed.

The further details relating to the structure of the virtual shares and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

Promoting the business strategy and the Company's long-term development

The number of virtual shares depends on the degree to which financial and non-financial targets are achieved. In this context, the performance criteria selected for the financial targets are key control parameters for the Company as a whole. They represent significant indicators of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being allocated virtual shares, Management Board members can participate in the successful implementation of the business strategy designed to generate long-term profitable growth. The intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

3.3 Commencement and end of contractual term during the course of a calendar year

Where an agreement commences or ends during the course of a financial year, the annual basic salary and regular fringe benefits will be paid or granted *pro rata temporis*, the annual bonus will be granted with a *pro rata* target bonus or paid on a *pro rata* basis and the virtual share plan will be granted with a *pro rata* target allocation amount or the number of virtual shares will be determined *pro rata temporis*. The transaction-related bonus, if any, will not be paid *pro rata temporis*, but will be paid [in the full amount] irrespective of whether an agreement commences or ends during the course of a financial year.

3.4 Revocation of appointment while guaranteeing reappointment

In the event that the Management Board member's appointment is revoked pursuant to section 84 (3) AktG with a guarantee of reappointment being given, provision may be made for the service agreement to end upon such revocation and to resume until the originally agreed end date after reappointment. The provisions on commencement and end of a contractual term during the course of a financial year will thus apply *mutatis mutandis* for the financial years in which the agreement does not run for the full twelve months. Instead of this, it may be agreed that the service agreement will be suspended for the period between revocation of the appointment and reappointment and the Management Board member will not receive any remuneration for this period or will only receive all or some of the fringe benefits; the provisions on commencement and end of a contractual term during the course of a financial year will apply *mutatis mutandis* in this context.

3. STRUCTURE AND AMOUNT OF MANAGEMENT BOARD REMUNERATION

This remuneration system is designed to offer KAP AG the necessary degree of flexibility in order to be able to continue to offer competitive remuneration packages in the future. The remuneration system thus supports the Company in competing for highly skilled executives. This flexibility is only utilised to the extent that in fact appears appropriate in view of the respective prevailing circumstances.

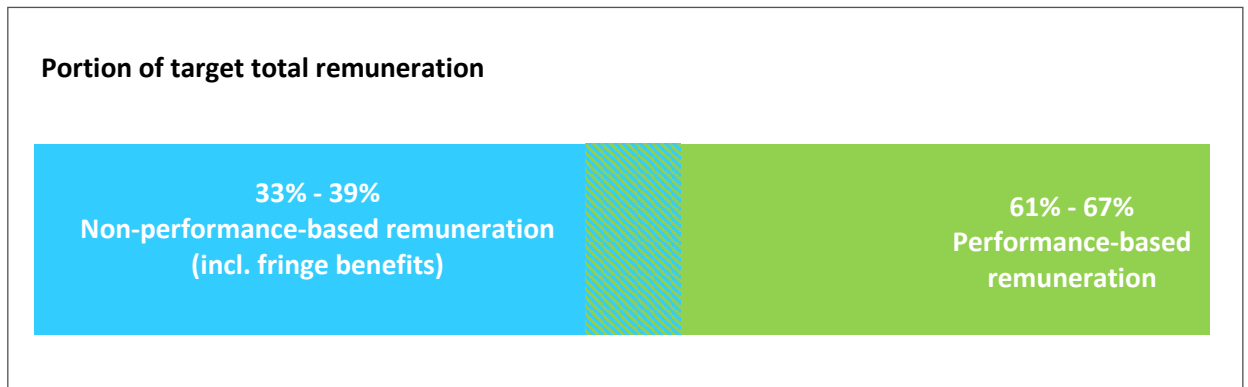
4.1 Structural framework

The portion of the entire remuneration package (excluding fringe benefits and any compensation pursuant to section 3.1(d)) represented by the annual basic salary, the annual bonus, the transaction-related bonus and the virtual share plan must fall within the following boundaries,

with the annual bonus and the transaction-related bonus each being applied at 100% of the target bonus and the virtual share plan at 100% of the target allocation amount:

- annual basic salary: 33% to 34%
- annual bonus: 9% to 11%
- transaction-related bonus 43% to 45%
- virtual share plan: 11% to 12%

The maximum scope of fringe benefits is specified as a percentage of the annual basic salary in section 3.1(b) and is thus dependent on the boundaries defined above for the annual basic salary.



4.2 Target and maximum remuneration

The target total remuneration is the value paid to a Management Board member for an entire financial year if target achievement for all performance-based remuneration components is 100%. In this context, the annual bonus is applied at 100% of the target bonus, the transaction-related bonus is applied at 100% of the sum of the annual basic salary and the annual bonus, and the virtual share plan is applied at 100% of the target allocation amount. The remuneration system permits a target total remuneration of up to EUR 1,025,000.00 for the individual Management Board members.

The maximum remuneration is the maximum value that may be paid to a Management Board member in total for a financial year. The maximum remuneration for the individual Management Board members is EUR 2,500,000.00 for the spokesperson and/or the chair of the Management Board and EUR 2,450,000.00 for a regular member of the Management Board.

If compensation pursuant to section 3.1(d) is granted, the above maximum remuneration is increased by the amount paid in the relevant financial year pursuant to section 3.1(d), i.e. a maximum of EUR 520,000.00.

4.3 Defining the specific remuneration for individual Management Board members

The flexibility generated by this remuneration system is only utilised to the extent that is appropriate in view of the respective prevailing circumstances.

First, the specific target total remuneration is defined and then the remuneration structure for the individual Management Board member. The calculation is based on the specific target remuneration amounts, or their boundaries (excluding fringe benefits and any compensation pursuant to section 3.1(d)) and remuneration structures existing at the time the relevant amount

is defined for the respective Management Board members of KAP AG in office at this time. Upon definition of this remuneration system, these amounts are as follows (in each case in EUR):

Target total remuneration (excl. fringe benefits)	900,000.00 – 1,025,000.00
of which:	
1. annual basic salary	300,000.00 – 350,000.00
2. annual bonus (100% target bonus)	100,000.00
3. transaction-related bonus (100% target bonus)	400,000.00 – 450,000.00
4. virtual share plan (100% target allocation amount)	100,000.00 – 125,000.00

When determining new specific target total remuneration amounts in the future it is possible to deviate from the initial values or corridors specified in the table above in the context of this remuneration system if this appears necessary in order to take reasonable account of the duties conferred on the Management Board member, their experience and past performance, as well as prevailing market conditions. This is conditional upon the remuneration also being reasonable in the context of the Company's current situation and not exceeding the standard remuneration amount without a specific reason. In order to identify the standards prevailing in other companies (horizontal comparison), reference will be made to suitable comparison groups comprising domestic and foreign companies, with the composition of these groups being disclosed. In order to ascertain whether the compensation may be deemed reasonable within the KAP Group (vertical comparison), the remuneration awarded to Management Board members will be compared with the pay awarded to executives and with the pay awarded to executives and non-executive employees as a whole, including how these comparisons develop over time. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

The chair or spokesperson of the Management Board will receive higher remuneration than the other Management Board members. When defining the remuneration structure, the following principles should be observed: The target allocation amount for the virtual share plan should exceed the target bonus for the annual bonus. The target bonus for the annual bonus should not exceed one third of the annual basic salary. The target bonus for the transaction-related bonus is not to exceed the sum of the target bonus for the annual bonus and the annual basic salary.

4. SPECIFIC CONTRACTUAL PROVISIONS

5.1 Malus and clawback

Any amounts paid out under the annual bonus, including any share portion, and amounts paid out under the transaction-related bonus may be recovered and payments from virtual shares allocated in the context of the virtual share plan may be refused if it subsequently emerges that all or part of the payment or allocation was made erroneously because targets were in fact not achieved or not achieved to the extent assumed, on the basis of false information, when the payment amount or the number of virtual shares to be allocated was calculated. In such case, the Management Board member is, in particular, obliged to pay back the net amount by which the payment made under the annual bonus exceeds the payment amount which would have been determined if the actual target values had been taken into account. The scope of this clawback claim is defined in section 818 BGB. The clawback claim will become time-barred once three years have elapsed since the annual bonus was paid out. The same applies to the transaction-related bonus.

Provisions may be agreed with the Management Board members specifying that in the event that the Management Board member commits a serious breach of their statutory duties or the Company's internal code of conduct, the variable remuneration paid for the financial year in which such breach was committed may be reclaimed in whole or in part from the Management Board member and any payments for this period under allocated virtual shares that have not yet been made may be refused.

Moreover, provisions may be agreed with the Management Board members specifying that payments under the annual bonus or the transaction-related bonus may be reclaimed in whole or in part and payments of virtual shares allocated under the virtual share plan may be refused in the event that the target achievement defined by the Supervisory Board for payment or allocation proves not sustainable for subsequent years.

Moreover, forfeiture provisions apply in respect of the virtual share plan (see section 3.2(b)), including in the event that the service agreement is terminated for good cause in the sense of section 626 (1) BGB for which the Management Board member is responsible and in the event that the member's appointment to the Management Board is revoked for good cause in the sense of section 84 (4) AktG.

5.2 Set-off of remuneration received for offices assumed within and outside the Group

Under their service agreements, Management Board members are obliged to assume positions on corporate bodies in subordinate affiliates of KAP AG upon request; such offices are generally covered by their remuneration as Management Board members. If a Management Board member assumes an office on a supervisory board within the KAP Group and remuneration for such office cannot be ruled out, such remuneration will be offset against their remuneration as a Management Board member.

Management Board members may only assume offices on supervisory boards of companies outside the KAP Group if prior approval has been granted. If a Management Board member wishes to assume an office on a supervisory board outside the KAP Group, the Company's Supervisory Board will decide whether any remuneration received for such office is to be offset against their remuneration as a Management Board member.

5.3 Adjusting the remuneration

In exceptional cases, reasonable additional remuneration components in the form of one-off or multiple cash payments may be approved for a Management Board member, with Company interests being taken into account. This possibility will only be utilised if and insofar as it is necessary in order to ensure reasonable remuneration for the Management Board members in exceptional situations, in particular during a period of serious economic crisis. In the event that such payment is approved, it constitutes a one-off benefit to which no legal claim may be asserted in future. It must be ensured, if necessary by cancelling or reducing other remuneration components, that the remuneration amount is in line with the provisions governing the target and maximum remuneration set out in section 4.2 and that the supplementary remuneration components do not exceed 100% of the annual basic salary in total.

5.4 Sickness

Should the Management Board member be rendered temporarily unable to perform their duties due to sickness, they will receive their annual basic salary for a period of three months, with such payment being ceased at the latest when the service agreement ends. All amounts received by the Management Board member from mutual funds or insurance policies in the form of sick pay or daily sickness allowance (*Krankentagegeld*) will be offset against such payments unless

these benefits are based exclusively on contributions made by the Management Board member themselves.

5.5 Permanent inability to work

Should the Management Board member be rendered permanently unable to work, the service agreement will end upon confirmation of such permanent inability to work. Details of when a permanent inability to work applies or how such inability may be confirmed are set out in the service agreement. Permanent inability to work shall be deemed confirmed if such inability to work has applied for one year.

5.6 Post-contractual non-compete clause

Once their service agreement has ended, the Management Board member is subject to a post-contractual non-compete obligation for a period of twelve months, with further details set out in their service agreement. For the duration of the post-contractual non-compete obligation, the Company will pay the Management Board member half of the last remuneration package received by the Management Board member as compensation. The Management Board member must have any other payments received offset against this compensation, insofar as, when added to the compensation, they exceed 100% of the last contractual annual basic salary received. The Company may declare a waiver of the non-compete obligation to the Management Board member either prior to or after the service agreement ends. The duty to pay compensation will end in such case six months after the waiver was declared to the Management Board member.

Where the Company owes payment of compensation under a post-contractual non-compete obligation, any severance payment is to be offset against such compensation payment.

5. REMUNERATION-RELATED LEGAL TRANSACTIONS

6.1 Service agreements

The basic provisions governing Management Board remuneration are agreed with the Management Board members in their service agreement. The service agreement will run for the respective member's term of office, except in the case of any mutually agreed amendment and the case set out in section 3.4. In the case of re-appointment, it may, subject to a corresponding agreement, be extended for the duration of such re-appointment. The following principles apply for the period of the appointment or re-appointment: The first appointment as a member of the Management Board of KAP AG is generally for a term of three years; re-appointment, except in the case set out in section 3.4, is generally for a period of three to five years. The parties should reach agreement on any extension of the service agreement or any re-appointment at the latest six months before the service agreement or term of office is due to end, except in the case of section 3.4.

6.2 Agreements on the annual bonus and virtual share plan

Separate agreements may be concluded in each case in the context of the annual definition of targets for the annual bonus and the virtual share plan. An agreement will be concluded governing the allocation of the virtual shares for each financial year. A separate agreement may also be concluded for purposes of defining the targets for a transaction-related bonus.

6.3 Notice of termination and other premature termination of the service agreement

No ordinary notice of termination may be served on the service agreement. Termination is only possible in the following circumstances:

The service agreement may be terminated with immediate effect by either party for good cause in the sense of section 626 (1) BGB. Termination issued to the Management Board member must have been approved or resolved by the Supervisory Board, with such approval or resolution only being adopted subject to section 84 (4) AktG.

See section 3.4 for details on a temporary termination of the service agreement. See section 5.5 for details on termination of the service agreement due to a permanent inability to work.

The statutory provisions governing termination also apply, as set out in section 87 (2) sentence 4 AktG.

6.4 Severance payments

If the employment is terminated in circumstances other than those described in sections 3.4 and 5.5 without good cause for which the Management Board member is responsible, any severance payments agreed with the Management Board member must not exceed the value of two annual remuneration packages and must not remunerate more than the remaining term of the service agreement (**severance cap**). The severance cap is calculated on the basis of the total remuneration for the last full financial year and, if appropriate, the anticipated total remuneration for the current financial year.

6.5 Main features of pension and pre-pension provisions

No pension or pre-pension provisions have been agreed.