



Remuneration system for members of the Executive Board of the The Social Chain AG

A. Introduction

On 20 April 2022, the Supervisory Board of The Social Chain AG adopted the remuneration system for the members of the Executive Board described below. The remuneration system came into force with the resolution and applies to all service contracts with Executive Board members to be newly concluded and extended from 1 May 2022. The service contracts already concluded with the currently acting Executive Board members (the “old contracts”) remain unaffected by this in accordance with the legal provision in §26j para. 1 sentence 3 2nd half sentence of the Introductory Act to the German Stock Corporation Act (EGAktG).

This remuneration system will be submitted to the Annual General Meeting of the Company to be held on 8 June 2022 for approval by resolution.

B. Procedure for the determination and implementation of the remuneration system

The Supervisory Board is responsible for the remuneration of the members of the Executive Board. If necessary, the Supervisory Board may call in external remuneration experts to assist it, and it must ensure that they are independent.

In determining and implementing the remuneration system and in its constant review, the Supervisory Board observes the provisions of the German Stock Corporation Act, the German Corporate Governance Code (as amended from time to time) and its rules of procedure for avoiding and dealing with conflicts of interest. In the event of any conflicts of interest arising in the Supervisory Board, the Supervisory Board members concerned shall abstain from voting on the res-

olutions concerning the relevant agenda items in the Supervisory Board and in the respective committees.

C. Principles for the remuneration of the Executive Board

When determining the remuneration of the Executive Board by the Supervisory Board, the tasks and performance of the individual Executive Board members, the situation of the company and the customary level of remuneration are taken into account. For example, professional experience, responsibility and scope of activity of the individual Executive Board members are included in the decision. The Supervisory Board will also make vertical and horizontal comparisons of remuneration. The vertical comparison of remuneration is made against the remuneration of senior management and the workforce as a whole. The horizontal comparison refers to the Executive Board remuneration of comparable companies.

In assessing the remuneration, the Supervisory Board is guided in particular by the following aspects:

- The members of the Executive Board shall be encouraged to work towards the achievement of the strategic corporate goals. These focus on (i) ensuring sustainable and long-term corporate development and value enhancement, (ii) increasing market share and further growth, (iii) expanding global presence, especially in selected growth markets, and (iv) pursuing social and environmental sustainability goals, which include, in particular, increasing efficiency in the use of energy and raw materials.
- In particular, the long-term variable remuneration, which is based on a multi-year assessment basis, is

an essential component of the remuneration structure, which is intended to support the sustainable and long-term development of the company and the business strategy through long-term behavioural incentives.

- Remuneration shall always take into account the size and economic situation of the company.
- Remuneration should be commensurate with the individual performance contribution of each Executive Board member; this implies that special achievements are rewarded with a correspondingly higher remuneration, while missing performance targets leads to noticeable reductions in the amount of remuneration.
- Compared to companies of a similar size, the remuneration should be attractive in order to attract and retain particularly qualified board members in the long term.
- The remuneration should contribute to a harmonisation of the interests of the members of the Executive Board with those of the shareholders and other stakeholders. The variable, performance-based remuneration components are therefore of major importance.

In accordance with these principles, the Supervisory Board determines the structure of the Executive Board’s remuneration and determines the amount and proportional weighting of the individual remuneration components with the aim of ensuring the appropriateness of the remuneration. The remuneration of the Executive Board members thus makes an important contribution to the promotion of the business strategy and the long-term development of the company.

D. Structure and components of the remuneration system

The remuneration comprises both non-performance-related, fixed components and performance-related, variable components. It consists of three main components: an annual fixed salary including customary fringe benefits such as a company car for business and private use and insurance benefits („fixed salary“), an annual bonus as a short-term, performance-related remuneration component or short term incentive („STI“) and a further variable remuneration component in the form of stock options in accordance with stock option plans („SOP“).

1. Maximum remuneration

The total remuneration to be granted for the financial year, i.e. the maximum achievable remuneration of a member of the Executive Board in a financial year, is limited as follows:

Fixed salary plus STI	EUR 1,000,000
SOP	EUR 5,000,000
Total maximum remuneration	EUR 6,000,000

The determination of the maximum remuneration merely sets an absolute upper limit in order to avoid disproportionately high Executive Board remuneration in unforeseeably good financial years, for example. It is in no way the total amount of remuneration for the members of the Executive Board sought by the Supervisory Board.

2. Explanation of the remuneration components

2.1. Fixed salary

The fixed salary is a fixed cash remuneration paid to the Executive Board member in 12 equal monthly instalments, for the last time for the month in which the employment contract ends. If the member joins or leaves during the year, payment is made *pro rata temporis*.

In the event of temporary incapacity to work due to illness, accident or any other cause for which the Executive Board member is not responsible, the fixed salary shall continue to be paid for a period of three (3) months, but no longer than until the contractually agreed end of the employment relationship, taking into account any claims for damages in connection with the incapacity to work.

As a fringe benefit, each member of the Executive Board can be provided with a company car, also for private use. Furthermore, there is a D&O insurance policy in line with the market. Within the framework of the D&O insurance, the Executive Board members are granted the right to be included in the insurance cover at the expense of the company with a deductible in the minimum amount prescribed in § 93 para. 2 sentence 3 AktG.

Other insurances (e.g. accident, death) may also constitute a fringe benefit. Furthermore, the member of the Executive Board shall be reimbursed for expenses, e.g. for business trips, representation and hospitality of business partners, within the limits of what is reasonable and permissible under tax law.

The Company does not grant any pension or retirement benefit entitlements to Executive Board members in their service contracts.

In addition, the service contracts may also provide for subsidies for health and long-term care insurance.

2.2. Short-term variable remuneration (STI)

As short-term variable remuneration, the members of the Executive Board receive a performance and success-based bonus (STI). The STI is based on the measurable success of the company in the past financial year and the achievement of individual targets. In the event of full target achievement (100%), a fixed gross amount is set as the target bonus. In the case of incomplete target achievement, the bonus is granted on a pro rata basis according to the degree of target achievement.

The basis for this is an agreement on objectives set by the Supervisory Board at its due discretion, which includes several individual objectives.

The Supervisory Board sets the individual targets on the basis of the approved annual budget of the company for the entire Group before the beginning of the financial year for which the short-term variable remuneration is granted. The individual targets to be set are financial (operational and strategic) targets, such as turnover, Ebitda, cash flow, liquidity or profit after tax. Operational and strategic targets must always account for at least 2/3 of the achievable target bonus.

The Supervisory Board may also award personal non-quantifiable targets and/or one or more sustainability targets as non-financial individual targets to Executive Board members, whereby the quantifiable targets must always account for at least 2/3 of the achievable bonus.

When setting the targets, the Supervisory Board will also determine lower limits, the non-achievement of which will not result in the granting of variable remuneration in relation to this individual target. The target achievement between the lower limit and the target is calculated on a straight-line basis.

The annual [short-term] variable remuneration may not exceed the fixed basic salary. Incidentally, the total annual remuneration also includes the long-term variable remuneration.

The amount of the annual short-term variable remuneration is determined and decided by the Supervisory Board after the end of the financial year based on the target achievement of the respective member of the Executive Board. If the employment contract ends during the financial year, the amount of the STI is determined pro rata temporis.

A subsequent change of the target values or comparison parameters is excluded. However, the right of the Supervisory Board to take into account extraordinary developments within an appropriate framework remains unaffected.

2.3. Long-term variable remuneration (share option plans)

The members of the Executive Board receive share options as long-term variable remuneration. Based on the authorisations granted by the Annual General Meeting in 2017, 2019, 2020 and 2021, the company has set up stock option plans (SOP) for Executive Board members, managers and employees. It is the intention of the Executive Board and the Supervisory Board to issue further SOPs upon expiry of these SOPs or for the purpose

of issuing further share options and to submit these to the Annual General Meeting for approval.

Motivated employees and managers are one of the essential prerequisites for the success of a company. With share options (subscription rights to shares), such motivation can also be created for the members of the Executive Board. They receive an incentive to increase the share price of the company - and thus the value of the company. A medium to long-term remuneration component, as represented by the granting of stock options, therefore serves both to recruit Executive Board members who are willing to perform and to bind Executive Board members to the company in the medium and long term. The Supervisory Board therefore considers the means of stock options to be a suitable long-term remuneration component, which also preserves the liquidity of the company.

The members of the Executive Board receive a fixed number of options from the SOP, the exercise price of which is based on the weighted average price of the share in a fixed period before the grant. The option can be exercised at the earliest after four (4) and at the latest after ten years from the respective grant date. There are special contractual provisions in case of resignation of Executive Board members before a period determined by the Supervisory Board in individual cases (vesting period). The vesting period is intended to ensure that the respective beneficiary Executive Board member is permanently available to the company over a longer period of time in order to create a long-term incentive and motivation.

When structuring the concrete option conditions for the members of the Executive Board, the Supervisory Board provides for a possibility of limitation (cap) for extraordinary developments.

The concrete option conditions will additionally provide for provisions limiting the exercise of the stock options per financial year to a maximum value, so that compliance with the maximum remuneration decided under this remuneration system is ensured.

Furthermore, the Supervisory Board will structure the specific option conditions for the Executive Board members in such a way that exercise is only possible within precisely defined exercise periods and only after the achievement of precisely defined performance targets, usually by setting a minimum increase in the share price compared to the issue price.

The Supervisory Board is of the opinion that the issue of genuine share options provides a long-term incentive option for the members of the Executive Board to successfully implement the adopted business strategy on a permanent and sustainable basis. The legally prescribed waiting period until the first exercise of four full years ensures that the members of the Executive Board do not exclusively pursue short-term performance goals, but have sufficient incentive to pursue long-term and thus sustainably effective performance goals.

3. Determination of the structure and amount of the target total remuneration; Relative share of the remuneration components in the target total remuneration

For the Executive Board members, the annual target total remuneration is the sum of (i) the fixed salary, (ii) the STI (in case of 100% achievement of all bonus targets) and (iii) the potential accretion from the sale of shares acquired by the Executive Board member due to the exercise of stock options under the SOPs.

The annual inflow of value for Executive Board members due to the sale of shares acquired by the Executive Board member as a result of the exercise of stock options under the SOPs can vary widely. This is due, among other things, to the uncertainties regarding the number of stock options granted, the achievement of the performance targets for the stock options granted, the general share price development of The Social Chain AG and the individual preferences of the Executive Board member regarding the exercise of stock options and the sale of the acquired shares of The Social Chain AG. For the purpose of determining this inflow of value to determine the maximum remuneration under this remuneration system, the following assumptions were therefore made as examples: (i) annual exercise of 50,000 stock options after achievement of the performance targets and subsequent immediate sale of the acquired shares of The Social Chain AG, (ii) exercise price (i.e. price of the share of The Social Chain AG at grant) of EUR 20.00 and (iii) annual linear price growth at a price at exercise of EUR 120.00. The actual inflows of value may deviate considerably from this calculation example.

Under these assumptions, the relative shares of the respective remuneration components in the maximum remuneration for Executive Board members should approximate:

- Fixed remuneration: approx. 8.33%
- Short-term variable annual remuneration (STI): approx. 8.33%
- Long-term variable remuneration through share options: approx. 83%.

The Supervisory Board determines the fixed remuneration in accordance with the remuneration system when the Executive Board employment contract is concluded.

ed. The STI (payable at 100% upon achievement of all bonus targets) is granted annually by concluding a target agreement. The granting of stock options under the SOP is done annually by concluding a grant agreement. In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board ensures that the long-term variable remuneration components exceed the short-term ones when determining the variable remuneration.

4. Appropriateness of the remuneration

When determining the individual remuneration components, the Supervisory Board shall ensure that the target total remuneration is commensurate with the tasks and performance of the Executive Board member. The Supervisory Board may take into account the qualifications and experience as well as the function and area of responsibility of the individual Executive Board members when determining the amount of the total remuneration. It also takes into account the economic situation, the future business strategy and the success of the company. The Supervisory Board shall ensure that the remuneration is in line with the market.

The Supervisory Board uses a suitable comparison group (horizontal comparison) to determine the appropriateness of the remuneration in order to be able to make a so-called peer group comparison]. The Supervisory Board has selected companies of similar size listed in the Prime Standard of the Frankfurt Stock Exchange as a peer group. In order to specify the peer group, the Supervisory Board pays attention to different comparison criteria and uses the horizontal comparison with caution so that there is no automatic upward trend. Market capitalisation, number of employees and turnover serve as comparison criteria.

In addition, a comparison is also made with senior management and the workforce as a whole (vertical comparison). For this purpose, the Supervisory Board has defined a senior management group. This upper management group consists of managing directors and senior executives. Their salary structure is also taken into account in the development over time.

5. Explanation of further (remuneration-related) contractual regulations

5.1. Clawback and other repayments of remuneration

In addition to the provisions pursuant to § 87 para. 2 AktG, the following shall apply in the event that the member of the Executive Board intentionally commits a material breach of duty in his or her capacity as a member of the Executive Board, namely the violation of

- a duty of care within the meaning of § 93 AktG,
- an obligation under the employment contract, or
- other fundamental principles of the company, for example in accordance with the Code of Conduct or Compliance Guidelines, as well as all applicable written guidelines,

that the Supervisory Board of the company may reduce (“**malus**”) the unpaid variable remuneration granted for the financial year in which the breach occurred, in part or in full (i.e. to zero), at its reasonable discretion (§ 315 BGB). In the event of a wilful breach of a material duty, the Supervisory Board may also, at its reasonable discretion (§ 315 BGB), demand the **return of** all or part of the gross amount of variable remuneration already paid out (“**clawback**”) for the financial year in which the breach occurred.

A clawback is not permissible if a breach of duty occurred after the end of the employment contract. A clawback can therefore only be based on breaches during the term of the employment contract.

Furthermore, the Executive Board member must repay variable remuneration already paid out if and to the extent that it becomes apparent after payment that the audited and approved consolidated financial statements on which the calculation of the payment amount was based were incorrect and must therefore be corrected in accordance with the relevant accounting standards and, on the basis of the corrected, audited consolidated financial statements and the relevant remuneration system, a lower payment amount or no payment amount at all would have been owed from the variable remuneration.

Fault on the part of the Executive Board member is not required. A claim for repayment cannot be asserted if the end of the financial year in question was more than five years ago.

5.2. Crediting of remuneration from secondary employment

The mandate remuneration from any Group-internal Supervisory Board mandates or other dual mandates is offset against the Executive Board remuneration.

If a member of the Executive Board wishes to assume a Supervisory Board mandate outside the Group with the approval of the Supervisory Board, the Supervisory Board shall decide within the framework of the required approval decision whether the external remuneration shall be offset against the Executive Board remuneration. In doing so, the Supervisory Board will be guided

in particular by the expected time spent on the Supervisory Board mandate outside the group.

5.3. Terms of service contracts / termination rules

In accordance with the German Corporate Governance Code, employment contracts for Executive Board members are generally concluded for a maximum of 3 years upon initial appointment. In the case of reappointment, the term can be a maximum of 5 years.

If a member of the Executive Board is dismissed as a member of the Executive Board before the expiry of his or her term of appointment, the employment contract shall also end at the same time. In this case, the Executive Board member is entitled to a severance payment. Variable remuneration components attributable to the period up to the termination of the contract are paid out in accordance with recommendation G.12 of the DCGK in the event of termination of an Executive Board contract according to the originally agreed targets and comparison parameters and according to the due dates or holding full stops specified in the contract. All payments shall not exceed the value of two years' remuneration and shall not remunerate more than the remaining term of the employment contract. Stock options under the SOP shall not be granted from the date of dismissal. In the event of extraordinary termination of the employment contract, no remuneration shall be paid from the date of termination.

If a member of the Executive Board resigns from his Executive Board mandate, the entitlement to remuneration from the employment contract shall also end at the same time.

Termination rights or special benefits in the event of a (majority) *change of ownership (change of control)* are not agreed.

5.4. Non-compete agreements

Members of the Executive Board may not work for other companies during the term of their employment contract without the consent of the Company.

The employment contract may also contain post-contractual non-competition clauses in return for the payment of a corresponding waiting allowance. If a post-contractual non-competition clause is agreed, the compensation for non-competition shall be taken into account for a severance payment due to the termination of the employment contract.

The Supervisory Board may, by resolution, grant exceptions or exemptions from the non-competition clause in justified individual cases if this is possible without disadvantages for the Company in the individual case.

E. Review of the remuneration system and deviations

The remuneration system for the members of the Executive Board of The Social Chain AG is determined by the Supervisory Board of the company. The remuneration system is reviewed by the Supervisory Board regularly every two years. The remuneration system for the members of the Executive Board shall be resubmitted to the General Meeting for approval whenever there is a significant change, but no later than after four years. If the general meeting does not approve the remuneration system, the Supervisory Board shall submit a revised

remuneration system for the members of the Executive Board for approval at the latest at the following ordinary general meeting.

The Supervisory Board reserves the right to temporarily deviate from this remuneration system if there are special reasons and this is in the interest of the long-term well-being of the company (e.g. changed incentive setting for variable remuneration in the event of a changed business strategy, special crisis situation).

Procedurally, such a deviation requires an explicit resolution of the Supervisory Board in which the duration of the deviation as well as the deviation as such and the reason for it (i.e. why the long-term well-being of the company requires the deviation) are described in an appropriate form. The components of the remuneration system from which deviation is possible in exceptional cases are the procedure, the regulations on the remuneration structure and amount as well as the individual remuneration components and especially the performance criteria. Factually, the Supervisory Board may deviate from both the respective relative share of the individual remuneration components as well as their respective prerequisites. It may also temporarily set the basic remuneration differently in individual cases if this is in the interest of the long-term welfare of the company, but not exceed the maximum remuneration set by the general meeting.