The Management Board remuneration system in accordance with section 87a paragraph 1 AktG in detail

1. Basic principles and strategic orientation of the Management Board remuneration system

As a global service provider and expert in mail communication, Francotyp-Postalia pursues a sustainable growth strategy. The implementation of this strategy will not only make the Group more efficient, but will also ensure its resilience in the future. In this regard, the remuneration system for the Management Board serves as a crucial element for the orientation of Francotyp-Postalia and provides a significant contribution towards the promotion of the business strategy and the improvement of operating performance, and thus the long-term success of the Group. Our goal is to support successful and sustainable management by linking the remuneration of Management Board members to both the short-term and long-term development of the company. The selection of suitable performance criteria simultaneously serves to establish important incentives for the implementation of the strategic reorientation of the Group.

The remuneration system encompasses performance-based parameters and parameters dependent on the company's success. The relative and absolute performance of the share price are also rewarded to a significant extent, which serves to align the objectives of the management and the immediate interests of the shareholders to an even greater degree.

We are aware of our social and ecological responsibilities. For this reason, the design of the remuneration system also grants a significant degree of importance to the consideration of non-financial sustainability criteria (environmental, social and corporate governance (ESG) criteria) in addition to the focus on financial performance criteria.

The remuneration system presented in the following shall apply for all Management Board contracts concluded or extended from 27 April 2021 onwards.

2. Definition, implementation and review of the remuneration system

The remuneration system for members of the Management Board has been resolved by the Supervisory Board in conformity with sections 87 paragraph 1 and 87a paragraph 1 AktG. The Supervisory Board was advised on the development of the remuneration system by independent experts. All decisions on remuneration by the Supervisory Board are made in consideration of the provisions of the German Stock Corporation Act and are based on the recommendations of the German Corporate Governance Code (GCGC) as amended on 16 December 2019 as well as the following guiding principles:

Guiding principles for the definition of Management Board remuneration		
Promotion of the company's strategy	Appropriateness and conformity with common practice	Creation of performance incentives
Conformity with regulatory requirements	Harmonisation of the interests of the Management Board and the shareholders, as well as other stakeholders	Sustainability and log-term orientation

The Supervisory Board shall review the remuneration of Management Board members on a regular basis in regard to appropriateness and common practice – both holistically and in regard to the individual remuneration components – and pursue adjustments as needed in order to ensure that the remuneration package for Management Board members remains within the bounds of the applicable regulatory framework while also remaining competitive at the same time. The criteria for the appropriateness of the remuneration are the tasks of the individual Management Board members, personal performance and the economic situation of the Group.

The conformity of the remuneration with common practice is evaluated both in comparison with other companies (horizontal comparison) and within the Francotyp-Postalia Group using the ratio of Management Board remuneration to the remuneration of upper management and the workforce as a whole (vertical comparison). Due to the size of Francotyp-Postalia – measured on the basis of the size criteria of revenue, number of employees and market capitalisation – the companies in the area of franking machines as well as postal delivery are employed for the horizontal comparison. Particular attention is given to the company's direct competitors, provided their remuneration parameters can be determined. The fact that the predominantly mid-sized competitors are not always listed on stock exchanges poses a persistent challenge, since their corresponding remuneration structures and amounts are not always transparent or accessible. The Supervisory Board also regularly assesses how the economic situation of Francotyp-Postalia is developing in comparison with SDAX companies. In order to review the appropriateness of Management Board remuneration and evaluate it in regard to common practice within the company (vertical comparison), the management levels below the Management Board of Francotyp-Postalia Holding AG are used as reference for upper management, and the average remuneration of full-time Group employees in Germany is used for the comparison with the workforce as a whole. Both the current ratio and the change in the ratio over time are taken into consideration in this context. The appropriateness in regard to external and internal frames of reference is reviewed at regular intervals.

In the event of significant changes to the remuneration system, but at least once every four years, the remuneration system shall be resubmitted to the Annual General Meeting for approval. When reviewing the appropriateness of the amount of remuneration and the conformity of the system with common market practice, the Supervisory Board shall be advised by an external remuneration expert who is independent from the Management Board and the company.

In conformity with the applicable remuneration system, the Supervisory Board defines the concrete target remuneration as well as the performance criteria for the variable remuneration components specified in the remuneration system for the upcoming fiscal year for the members of the Management Board.

In accordance with the statutory provisions under section 87a paragraph 2 sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system when doing so is necessary in the interest of the long-term well-being of the company. This may be the case in the event of extraordinary, unforeseeable developments such as a severe financial and economic crisis; generally unfavourable market developments alone, however, do not constitute such extraordinary, unforeseeable developments.

Deviation from the remuneration system is possible only by means of a corresponding resolution by the Supervisory Board and following a thorough assessment of the necessity. The components of the remuneration system which may be deviated from under the circumstances specified above are the procedure, the remuneration structure, the individual remuneration components and the relevant performance criteria. Furthermore, the Supervisory Board may also temporarily grant additional remuneration components or replace individual remuneration components with different remuneration components in this event, provided this is necessary in order to restore the appropriateness of Management Board remuneration in the specific situation in question.

The provisions applicable to the handling of conflicts of interest of Supervisory Board members must also be observed during the procedure for the definition, implementation and review of remuneration and the remuneration system.

3. Overview of the design of the remuneration system

3.1 Comprehensive overview of the Management Board remuneration system

The fundamental components of the remuneration system and their configuration are depicted in the following table. All components are explained in detail in section 4.

Comprehensive overview of remuneration components

Remuneration component	Basis for assessment / parameter
Non-performance-based remuneration	
Fixed remuneration	The fixed remuneration of Management Board members is paid on a pro-rata basis as a monthly salary.
Ancillary benefits	Company car, insurance premiums; additional one-time or temporary (transitional) benefits for new members are possible by express resolution of the Supervisory Board
Performance-based remuneration	
Short-term incentive (STI)	• **Annual bonus model:** Basis for target attainment: A number of KPIs for each Management Board member, determined by the Supervisory Board each year or separately predefined, which must each be taken into consideration with equal weight (min. 2 KPIs, max. 4 KPIs) • **Cap:** 120% of target amount
Long-term incentive (LTI)	• **Sustainability component 1: virtual stock options ("VSOP")** Allocation of VSOP and components to the Management Board • The number of options to be allocated is left to the reasonable discretion of the Supervisory Board; additional options may be granted for the attainment of specific additional targets • Obligation of the Management Board to purchase a percentage of the virtual stock options as real shares (vesting period: 4 years) • Exercise of virtual options after completion of a period of 4 years (vesting period) • **Exercise price:** Arithmetic mean of Xetra closing prices over the last 90 trading days before exercise • **Calculation:** Amount paid out = difference between the exercise price and base price multiplied by the number of VSOPs allocated (no minimum threshold) • **Cap** of amount paid out per VSOP: a price in € per VSOP to be determined at the Supervisory Board's discretion **Sustainability component 2: ESG targets** • Definition of **two ESG targets** by the Supervisory Board which should ideally be identical for all members of the Management Board but are not required to be • Examples of ESG targets until 2024 • **1. ESG target:** Annual ISO (re-)certifications

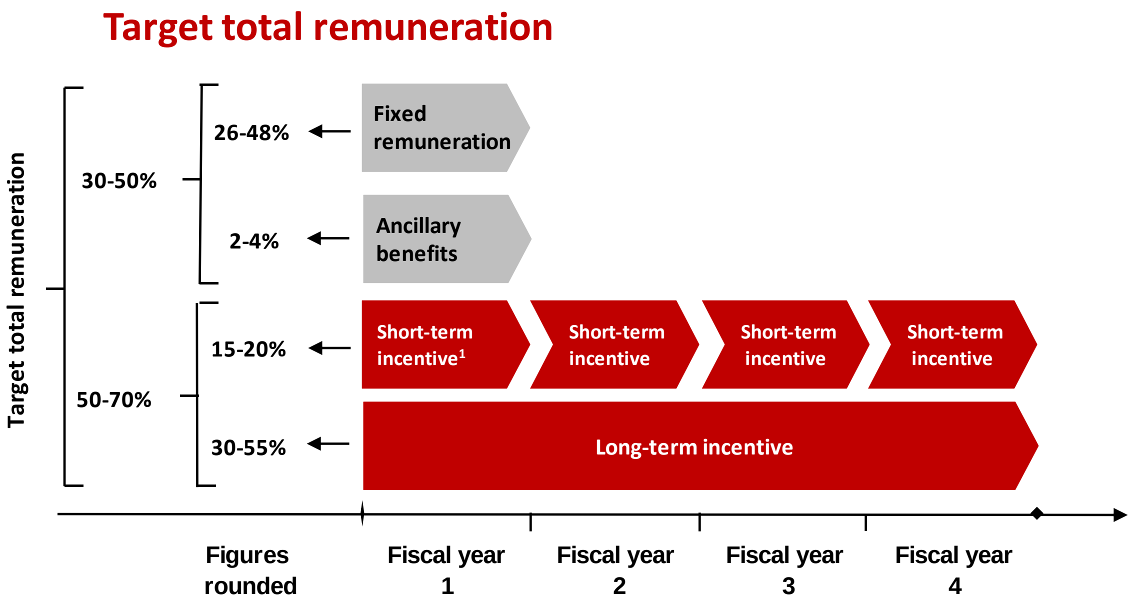
	• **<u>2. ESG target:</u>** Reduction of CO_2 emissions • Annual advance payments toward the presumed payout amount • **Cap:** 120% of target amount
Other remuneration arrangements	
Maximum remuneration	Restrictions on the total remuneration granted for one fiscal year in accordance with section 87a paragraph 1 sentence 2 no. 1 AktG
Severance cap	Severance payments of a maximum of the total remuneration for one year; remuneration for the residual term of the contract may not be exceeded (severance cap)
Malus and clawback arrangement	<u>Malus:</u> In the event of a severe violation of applicable law in the sense of individual misconduct or an organisational fault, the Supervisory Board may partially reduce or entirely omit the variable remuneration components (STI/LTI) for the respective assessment period <u>Clawback:</u> Option of the Supervisory Board to demand the repayment of variable remuneration which has already been paid out in the event of subsequent discovery of a malus offence

3.2 Remuneration components and structure

The remuneration of Management Board members consists of non-performance-based and performance-based elements. The non-performance-based elements comprise the fixed remuneration and ancillary benefits. The performance-based remuneration encompasses the short-term incentive with a period of one year (STI) and the long-term incentive with a period of four years (LTI). The amount of the performance-based remuneration components is determined using the financial and non-financial performance criteria defined by the Supervisory Board (for details, see section 4.2).

The sum of all non-performance-based and performance-based remuneration components constitutes the total remuneration of the members of the Management Board. On the basis of the remuneration system, the Supervisory Board defines a concrete target total remuneration for each Management Board member which is appropriately proportional to the Management Board member's tasks and performance as well as the company's situation, and does not exceed the typical remuneration without due cause. The target total remuneration consists of the sum of all remuneration components which are relevant to the total remuneration. The portion of the target total remuneration accounted for by the long-term variable remuneration exceeds the portion of the target total remuneration accounted for by the short-term variable remuneration.

The remuneration structure is thus oriented toward sustainable and long-term development of the company. The non-performance-based remuneration makes up roughly 30-50% of the target total remuneration. The fixed remuneration contributes roughly 26-48% of the target total remuneration, and the regular ancillary benefits ordinarily contribute roughly 2-4%. The performance-based remuneration makes up a total of roughly 50-70% of the target total remuneration, which serves to take the pay-for-performance approach into account directly. In this context, the portion of the target total remuneration accounted for by the STI target amount corresponds to roughly 15-20%, while the LTI target amount accounts for roughly 30-55% of the target total remuneration. This ensures that the variable remuneration based on the attainment of long term-oriented targets exceeds the portion which is based on short term-oriented targets.



[1] To be separately agreed between the Supervisory Board and the respective Management Board member for each fiscal year

No guarantee remunerations, discretionary bonuses, or other (special) remunerations not set out under this Management Board remuneration system will be paid.

3.3 Maximum remuneration

Both the individual variable remuneration components and the sum of all Management Board members' remuneration components, including ancillary benefits, are limited. Maximum limits are defined for the performance-based components and for individual elements within them.

In addition, the Supervisory Board has defined a maximum remuneration in accordance with section 87a paragraph 1 sentence 2 no. 1 AktG which limits the total amount of the remuneration for a given fiscal year (fixed remuneration + ancillary benefits + payout from STI + payout from LTI) which is actually paid out. The annual maximum remuneration is € 2,500,000 for the Chair of the Management Board and € 1,900,000 for ordinary members of the Management Board. These maximum remunerations will be enabled only in the event that the share price increases to such a degree that the maximum remuneration from the virtual stock options is generated.

In regard to the fixed remuneration and ancillary benefits for each Management Board member, the fact that these components may be subject to annual increases must be taken into consideration. Annual increases of up to 5% p.a. are assumed for the fixed remuneration. The amount of ancillary benefits is subject particularly to increases due to increasing contribution rates as well as general increases in insurance costs.

4. The remuneration system in detail

4.1 Non-performance-based remuneration components

4.1.1 Fixed remuneration

Management Board members receive a fixed annual salary in twelve equal monthly instalments. This serves as a secure and predictable income for the members of the Management Board.

4.1.2 Ancillary benefits

In addition to the fixed remuneration, the members of the Management Board receive ancillary benefits in the form of non-cash remuneration; these are the provision of a passenger car for business and private use as a standard benefit as well as insurance premiums. For example, the company grants each Management Board member a contribution of 50% towards health and nursing care insurance within the framework of the statutory contribution assessment limits. Accident insurance is also taken out for Management Board members. In principle, all Management Board members are equally entitled to these ancillary benefits; the actual amount varies according to the personal situation. In addition, expenses are reimbursed in accordance with the internal travel cost policy.

4.1.3 Pension commitments

The members of the Management Board are not currently entitled to any employer-financed pension commitments.

4.1.4 Additional fixed remuneration components

In individual cases, the Supervisory Board may grant a payment on the occasion of the entry into office of a new Management Board member. Such payments can serve purposes such as compensating for the loss of variable remuneration from a previous employer incurred by a Management Board member upon joining the company. Payments of this type must always be appropriate. They are also included under the fixed maximum remuneration, which serves to limit their amount.

4.2 Performance-based remuneration components

The variable remuneration components are described in the following. This section serves to clarify the relationship between the attainment of performance criteria and the respective payout amount from the variable remuneration. It also explains how and when Management Board members may dispose of the variable remuneration amounts granted.

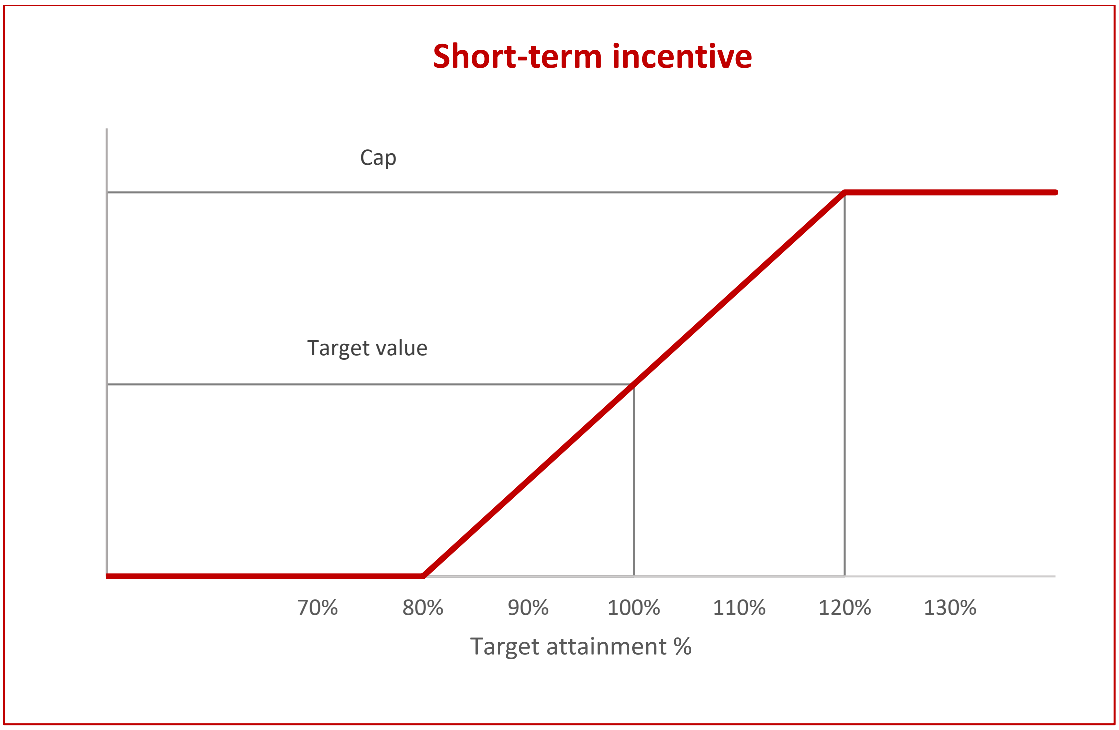
The two performance-based remuneration components are the STI with a period of one year and the LTI with a period of four years. Before the beginning of the respective fiscal year, the Supervisory Board defines concrete performance criteria for both the STI and LTI which are based mainly on the economic situation of the Group. The definition of performance-based remuneration components on an exclusively discretionary basis is precluded accordingly.

4.2.1 Short-term incentive (STI)

Management Board members receive an **annual bonus (STI)** in recognition of their service to the company based on the attainment of short-term targets. This is based on a one-year assessment period.

The basis for the determination of the STI is the budget approved by the Supervisory Board for the respective fiscal year. The STI is calculated by adding together at least two up to as many as four key figures, whereby every key figure is factored into the target calculation with equal weight. The key figures are agreed between the Supervisory Board and the Management Board member on an annual basis or assigned unilaterally. Financial targets (such as revenue, EBITDA, free cash flow, ROCE, etc.) as well as individual or strategic targets can be agreed in this context. The agreement on key figures shall be completed in due time before the beginning of the respective fiscal year. The target values should not be changed retroactively. The relevant key figures in this context will be defined with sufficient clarity.

Unless otherwise agreed, the respective key figure in the amount of the respective value attained is added to the degree of target attainment. The target value of the respective performance criterion corresponds to target attainment of 100%. Exceeding 80% serves to fulfil the lower threshold, and target attainment is limited to an upper threshold of 120%. This results in the following overall target attainment curve, whereby the STI is linearly interpolated in cases of target attainment between the specified percentages or is maintained.



The maximum payout from the STI is limited to a total of 120% of the target value. There is no guaranteed minimum level of target attainment; for this reason, the payout may be omitted entirely. Payment of the STI is subject to the condition of target attainment of more than 80%.

After deduction of the applicable statutory duties, the STI shall be paid out to the Management Board member together with their salary for the calendar month following the month of the resolution on the respective annual financial statements at the Annual General Meeting. If the resolution on the determination is delayed more than six months after the end of the fiscal year, the Management Board member is entitled to an appropriate advance payment on the anticipated annual bonus.

If the Management Board member is not in active service for the full duration of a fiscal year (e.g. due to termination of the employment contract or a leave of absence during the year), the respective bonus payment will be reduced on a pro-rata basis. The same applies in the event that the Management Board member is essentially in active service for the full duration of a fiscal year for two subsequent fiscal years (i.e. the employment contract is not terminated and no leave of absence is taken), but the Management Board member did not perform their activities for at least a quarter of the time of each of the two fiscal years (e.g. due to illness or incapacity to work).

In the event of extraordinary events or developments, the Supervisory Board is authorised to amend the conditions of the STI appropriately in accordance with its reasonable discretion.

4.2.2 Long-term incentive (LTI)

In addition to the fixed annual salary, the ancillary benefits and the STI, the company pays Management Board members a **long-term bonus (LTI)** based on the sustainable development of the company. Sustainability is addressed in this context through the use of a four-year basis of assessment ("**LTI bonus period**"). The portion of the target total remuneration accounted for by the LTI exceeds the portion of the target total remuneration accounted for by the STI.

The payout for a long-term bonus consists of the following sustainable target components ("**sustainability components**"):

1. Granting virtual stock options as an incentive to increase the company's share price over the LTI bonus period ("*sustainability component 1*")

2. Fulfilment of two ESG sustainability criteria by the company over the LTI bonus period ("*sustainability component 2*")

The sustainability components are **not** linked together additively. Under-fulfilling one component cannot be compensated for by over-fulfilling the other – neither in regard to the same fiscal year nor in regard to the entire LTI bonus period. The two sustainability components are evaluated separately.

Sustainability component 1:

Sustainability component 1 entails the provision of virtual stock options in order to establish positive development of the company's share price as a sustainable incentive for the Management Board member. The Supervisory Board should take corrective measures only to an appropriate extent in the event of extraordinary developments. The remuneration is provided in the form of a cash payment ("**cash settlement**") and not by bestowing shares. Virtual stock options are based on the price performance of a real share in the company.

For this purpose, Management Board members are granted an amount of virtual stock options to be agreed with them upon their appointment as members of the Management Board and thus the beginning of the LTI bonus period (“**allocation date**”). The payment of a subscription price is not required. As a prerequisite for the allocation of virtual stock options, however, the Management Board member must acquire a percentage of the virtual stock options allocated to him, also to be agreed with the Supervisory Board, in the form of real shares and hold them for a period of four years starting from the respective purchase (vesting period) (“**share purchase and vesting obligation**”). This obligation constitutes another major component of the remuneration system with the objective of promoting the long-term and sustainable development of the company. The purchase of these shares may also be (fully or partially) carried out by a company controlled by the Management Board member or by the Management Board member’s next of kin. Evidence of purchasing and holding the treasury shares acquired must be submitted to the company's Supervisory Board in the form of a securities account statement on an annual basis. In the event that fewer real treasury shares are purchased or shares have been sold in the meantime, the number of virtual stock options allocated is decreased by a corresponding proportion.

In addition, the Management Board member and the Supervisory Board may arrange for additional virtual stock options to be considered to have been allocated at the beginning of the LTI bonus period in order to incentivise specific business developments. For example, this applies in the event that the Management Board member is required to expand a specific business segment of the company, such as digital business.

At the beginning of the LTI bonus period, a specific figure in EUR per virtual stock option is defined (**“base price as of allocation”**).

After the completion of four years since the allocation date (vesting period), the virtual stock options are due and may be exercised (“**vesting**”). After vesting, the Management Board member may exercise the virtual stock options at a time to be determined by the Management Board member, provided the Management Board member still holds office. After the end of the period of office and thus the executive position, the virtual stock options must be exercised by 31 December of the year following the year in which the period of office ended (“**exercise period**”).

The minimum amount per exercise by the Management Board member must encompass a number of virtual stock options to be determined by the Supervisory Board.

After the virtual stock options are exercised, the payout amount will be due for payment within the month following the month of the exercise.

The exercise price is calculated from the arithmetic mean of the Xetra daily closing prices for the last 90 trading days, calculated starting from the date of the Management Board member's written declaration of the exercise.

There is no minimum threshold relative to the base price that the exercise price is required to fulfil.

Independently from the vesting of the virtual stock options, ¼ of the respective virtual stock options granted will become vested upon completion of each year starting from the allocation date. This does not apply for any additional options which may have been granted. In this context, virtual stock options do not become vested on a linear basis during the year; rather, exactly ¼ of the virtual stock options granted become vested precisely on each effective date, i.e. after 12 months, 24 months, 36 months, and 48 months from the allocation date. As a result, the respective virtual stock options which have become vested can no longer be forfeited in the event of a premature termination of the Management Board contract (“**early leaving**”). Forfeitable virtual stock options, however, are forfeited. In cases of early leaving, the virtual stock options that have become vested are due to be exercised upon departure and must be exercised by 31 December of the year following the year in which the period of office ends. Otherwise, options which have not been exercised will be forfeited. The principles for calculating the exercise price apply in reference to the termination date in the event of an early leaving scenario.

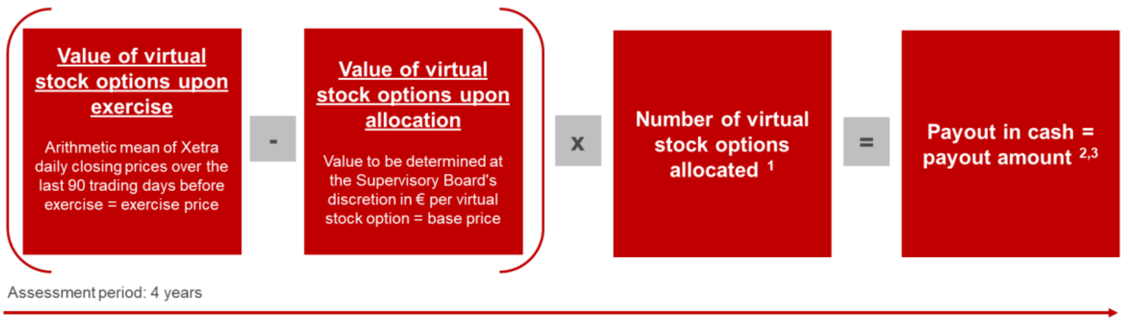
The only situation in which the above does not apply is the departure of a Management Board member from their employment relationship due to a severe breach of duty (“**bad leaver situation**”). Severe breaches of duty of this type exist in cases such as the termination of the employment relationship by the company for good cause in accordance with section 626 paragraph 1 of the German Civil Code (BGB). In the case of a bad leaver situation, the vested virtual stock options and those already due to be exercised can no longer be exercised either. All virtual stock options are forfeited without compensation.

Upon exercise of the virtual stock options, the Management Board member is entitled to a cash payment equivalent to the difference between the base price and the exercise price, multiplied by the number of virtual stock options. The payment is made following the deduction of taxes and any other applicable statutory duties at the end of the month following the month in which the options are exercised.

Claims of the Management Board member arising from this remuneration are limited to an amount in EUR per virtual stock option to be defined by the Supervisory Board (**cap per virtual stock option**).

Accordingly, the actual payout from the LTI sustainability component 1 is calculated as follows:

Operation Incentivisation: LTI – SC 1 = virtual stock option program



[1] Prerequisite for allocation: Purchase of x% of the allocated virtual stock options as real treasury shares (scope is defined by the Supervisory Board; vesting period: 4 years)
[2] Vesting period: 4 years
[3] Payout amount is limited to a price to be specified by the Supervisory Board in € / virtual stock option (cap)

At the beginning of the LTI bonus period, the Supervisory Board defines an expectation for the development of the company's share price and a target share price to be reached by the end of the four-year vesting period. The target amount of increase defined in this manner corresponds to 100% target attainment. The number of virtual stock options to be granted to the respective Management Board member is defined based on the amount of the bonus to be received by the respective Management Board member in the event of 100% target attainment in regard to sustainability component 1. The number of virtual stock options granted multiplied by the specified target amount of increase in share price performance thus corresponds to the stated target bonus in regard to sustainability component 1. This is a component of the concrete target total remuneration for the individual Management Board member.

Since the possible amount of remuneration from a virtual stock option is limited, multiplying this cap value by the number of virtual stock options granted yields the maximum amount that can be paid in regard to sustainability component 1.

In the event of extraordinary events or developments, the Supervisory Board is authorised to amend the conditions of the sustainability component 1 appropriately in accordance with its reasonable discretion.

Sustainability component 2:

Sustainability component 2 is determined based on the fulfilment of two ESG sustainability criteria (ESG = environmental, social, governance). As a general principle, these will be defined as described in the following for the fiscal years up to and including fiscal year 2024. The Supervisory Board is authorised to define different ESG sustainability criteria for new Management Board members / extensions. In this context, it is particularly necessary to take into account the fact that the appointment of new Management Board members / extensions will extend beyond fiscal year 2024 and that the definition of ESG sustainability criteria will need to be evaluated independently in this regard. In the event that the ESG sustainability criteria no longer appear practical to attain or need to be replaced by ESG sustainability criteria which serve sustainability interests more effectively, the parties to the Management Board employment contract must make corresponding additions or updates.

Examples for the ESG sustainability criteria to be agreed in principle for the fiscal years up to and including fiscal year 2024 are described in the following:

1. Annual ISO (re-)certifications as sustainability criterion 1

Francotyp-Postalia Holding AG currently holds the following five ISO certifications:

- 9001:2015 – Quality management system
- 14001:2015 – Environmental management system
- 45001:2018 – Management system for occupational health and safety
- 50001:2018 – Energy management system
- 27001:2013 – Information security management system (IAB only)

The objective is the successful, uninterrupted maintenance of the five ISO certifications over the bonus period. This also entails successful annual (re-)certification.

For the purpose of determining the degree of target attainment at the end of the bonus period, findings and deviations identified in accordance with specific governance mechanisms and the realisation of potential improvements are factored into the evaluation of the degree of fulfilment of this ESG sustainability criterion. The findings and deviations in this context originate from audits.

2. Reduction of CO_2 emissions as sustainability criterion 2

In order to assess the continuous reduction and prevention of CO2 emissions through the use of green energy and resource efficiency, the measurable CO2 emissions as of the beginning and end of the bonus period will be compared. The baseline figures are from the company's 2019 carbon footprint. Factors particularly including power, heat and business travel are then recorded on a monthly basis over the full duration of the bonus period. At the end of the bonus period, the carbon footprint of FP (global) is measured/determined for the final determination of the degree of target attainment. The specific manner of measuring the performance / target figures is decided by a favourability comparison in favour of the respective Management Board member in the context of the final assessment. Details on the target attainment degrees in relation to the volume of reduced CO2 emissions can be found in the annexes/addenda of the respective Management Board employment contract.

In the event that the methods defined for the determination of the degree of target attainment or the agreed degrees of target attainment are no longer suitable for assessing/depicting the degree of attainment of the respective ESG sustainability criterion (e.g. due to technical changes, changes in market situation or due to a corporate reorganisation), the Management Board of the company must immediately propose systems/methods which should be used to evaluate the attainment of the respective ESG sustainability criterion to the company's Supervisory Board. The Supervisory Board then decides at its own reasonable discretion on a potential adjustment of the methods previously defined for determining the degree of target attainment. As a general rule, retrospective amendment of the ESG sustainability criteria is not permissible under any other circumstances. The ESG sustainability criteria may be adjusted only in the event that the adjustments specified above are not suitable for ensuring attainment of the target for the defined ESG sustainability criteria. In such cases / in the event of extraordinary events or developments, the Supervisory Board is authorised to amend the ESG sustainability criteria appropriately in accordance with its reasonable discretion.

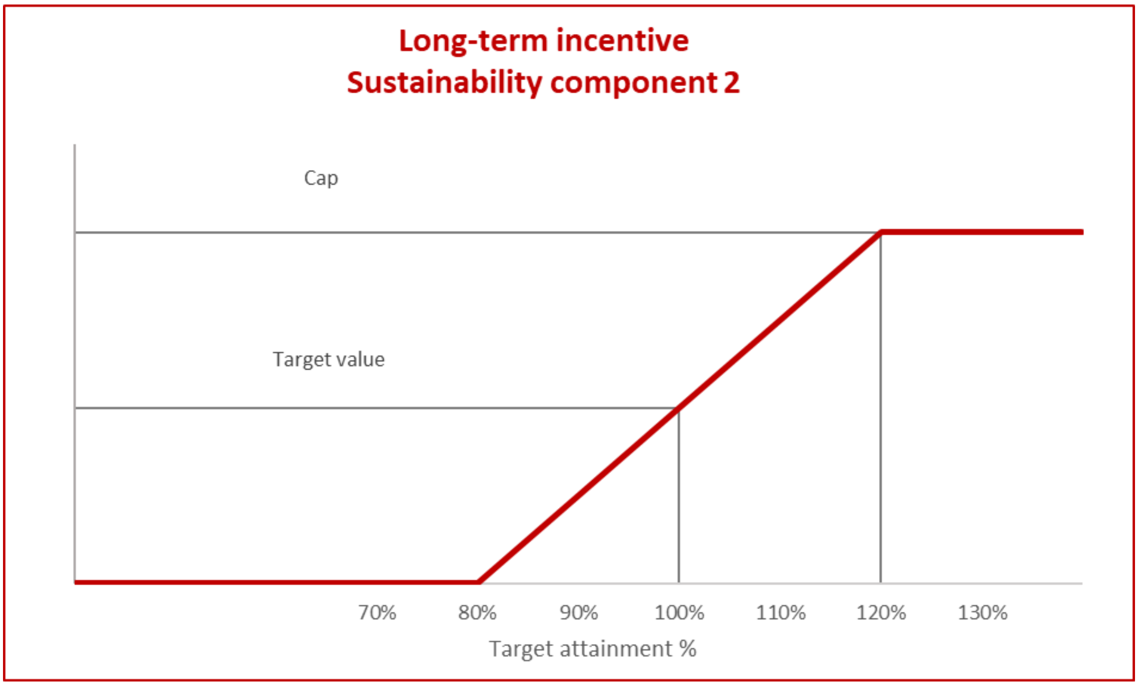
The agreed ESG sustainability criteria have equal weight, i.e. their levels of fulfilment are incorporated into the evaluation of the degree of target attainment for sustainability component 2 in equal proportions.

The target figures that must be attained for the respective ESG sustainability criterion by the end of the LTI bonus period are defined in Management Board employment contracts and any addenda. The degree of target attainment for the agreed ESG sustainability criteria is assessed after the end of the LTI bonus period.

The Management Board member receives annual advance payments toward a presumed payout amount in regard to sustainability component 2 of an amount in EUR per fiscal year to be agreed between the Supervisory Board and the Management Board member. At the end of the LTI bonus period, the amounts are adjusted on the basis of the actual degree of target attainment and any offsetting of advance payments. In the event that the Management Board member's variable remuneration for the fiscal year is not sufficient to offset the amounts to be refunded, the offsetting is carried out against other remuneration components (such as the fixed salary, STI or payments from the virtual stock options).

Unless otherwise agreed, the respective ESG sustainability criterion in the amount of the respective value attained is added to the degree of target attainment. The target value of the respective ESG sustainability criterion corresponds to target attainment of 100%. Target attainment of over 80% serves to fulfil the lower threshold, and target attainment is limited to an upper threshold of 120%.

This results in the following overall target attainment curve, whereby target attainment between the specified percentages is linearly interpolated or maintained.



The maximum payout from sustainability component 1 is limited to a total of 120% of the target value. There is no guaranteed minimum level of target attainment; for this reason, the payout may be omitted entirely. Payment of the STI is subject to the condition of target attainment of more than 80%.

In the event of extraordinary events or developments, the Supervisory Board is authorised to amend the conditions of the sustainability component 2 appropriately in accordance with its reasonable discretion.

4.3 Other benefits

The Supervisory Board is authorised to grant Management Board members a discretionary bonus in addition to the remuneration components specified above. The Supervisory may resolve to grant a discretionary bonus particularly in order to repay exceptional performance from the Management Board.

4.4 Other contractual provisions

4.4.1 Malus and clawback arrangements

The employment contracts also contain “malus” and “clawback” arrangements. These enable the Supervisory Board to demand reimbursement of variable remuneration which has already been paid out or to reduce variable remuneration which has not yet been paid out under certain conditions.

In the event of relevant misconduct (a “**malus offence**”) by the Management Board member during the relevant assessment period for the variable remuneration – during the respective fiscal year for the STI and during the four-year assessment period for the LTI – the Supervisory Board may reduce the payout amount by up to 100% at its own reasonable discretion (“**malus**”). A malus offence can take the form of an individual instance of misconduct or an organisational fault. In the event that a malus offence occurs during a year that falls within the assessment period of multiple variable remuneration components, the malus may be defined for each of these variable remuneration components, i.e. multiple variable remuneration components with multi-year assessment periods may be subject to a malus due to the same malus offence. Misconduct could be deemed to exist, for example, in the event of a deliberate or grossly negligent breach of the obligations under section 93 AktG. In all cases, the Supervisory Board will carry out a reduction of the payout amount in consideration of the circumstances of the individual case and the interests of both contractual parties.

In addition, the Supervisory Board also has the right to demand full or partial repayment of a variable remuneration component which has already been paid out (the gross amount) in the event that it discovers or becomes aware of a malus offence after the fact (“**clawback**”). This applies for the STI and LTI for every assessment period which encompassed the year of the malus offence. This reclamation is precluded once more than three years have passed since the variable remuneration component was paid out. The Supervisory Board's decision regarding a clawback in this context is made at its reasonable discretion in regard to the respective individual case.

The potential obligation of the Management Board member to pay damages to the company in accordance with section 93 paragraph 2 AktG or other statutory provisions remains unaffected by this.

4.4.2 Remuneration-related legal transactions

4.4.2.1 Contractual periods of Management Board employment contracts

The fundamental arrangements on Management Board remuneration are agreed with Management Board members in their Management Board employment contracts. The periods of Management Board employment contracts correspond to the duration of the Management Board member's appointment; in the event of a renewed appointment, they are extended by the duration of the respective reappointment. When appointed for the first time, members of the Management Board are generally appointed for a period of four years. The company, represented by the Supervisory Board, and the Management Board member will hold discussions with the goal of extension of the employment contract and regarding reappointment to the Management Board no later than twelve months before the end of the employment relationship. The employment contract may be extended as far as the end of the calendar month in which the Management Board member reaches the standard retirement age for statutory pension insurance.

Due to the fixed period of Management Board employment contracts, they generally do not provide for an option of ordinary termination. That said, in the event that the appointment to the Management Board is withdrawn pursuant to section 84 paragraph 3 AktG or if the Management Board member resigns from their position on the Management Board, the employment contract will end as well. The Management Board employment contract may also be terminated by either Francotyp-Postalia or the Management Board member for due cause as defined under section 626 BGB without adhering to a period of notice.

In the event that the withdrawal of the appointment to the Management Board is based on due cause that is not simultaneously due cause for termination of the employment contract without notice as defined under section 626 BGB, the employment contract shall end at the end of the month following expiration of a notice period of three months, starting from the Management Board member's receipt of the withdrawal.

In accordance with section 87 paragraph 2 sentence 4 AktG, the Management Board member may give notice of their resignation as of the end of the next quarter, subject to a notice period of six weeks, in the event of a reduction of the remuneration under the Management Board employment contract.

4.4.2.2 Benefits upon contract termination

In the event that the withdrawal of the appointment to the Management Board is based on due cause that is not simultaneously due cause for termination of the employment contract without notice as defined under section 626 BGB, the Management Board member is entitled to a lump-sum severance payment due on the date of the legal termination. The amount of the severance payment which is then due corresponds to a percentage of the last annual remuneration of the Management Board member in question, comprising the fixed salary and STI without LTI and without other remuneration components. In every case, however, the maximum total amount corresponds to the amount of the fixed remuneration entitlement for the remaining period of the contract.

In the event of any other premature termination of the employment contract without due cause as defined under section 626 BGB, the company and the Management Board member can make separate arrangements; in this context, payments to the Management Board member including ancillary benefits may not exceed the value of the annual remuneration for one year (severance cap) or the remuneration for the remaining period of the employment contract. The calculation of the severance entitlement and the severance cap must be based on the total remuneration for the last completed fiscal year; if the first fiscal year has not yet been completed, the current fiscal year (pro-rata) must be used as the basis.

In the event that an appointment is withdrawn pursuant to section 84 paragraph 3 AktG in temporal proximity to a **change of control** at the initiative of the new majority shareholder, and the withdrawal is not based on due cause as defined under section 626 BGB, then the severance entitlement shall increase to the amount of the total annual remuneration for the last completed fiscal year, but only up to a maximum of the amount of the remuneration entitlement for the remaining period of the contract. A change of control in the sense employed in this provision exists in the event that a third party or multiple third parties acting together directly or indirectly acquire and control at least 50% of the shares in the company by purchasing stock or other means. Temporal proximity to a change of control is to be assumed in the event that a withdrawal of an appointment takes place within three months after the time at which the change of control was disclosed, specifically defined as the time at which the Chair of the Supervisory Board became aware of the change of control that had actually taken place.

4.4.2.3 Change of control

Regardless of the statements above, no commitments are agreed in the Management Board employment contracts for the occasion of premature termination of the employment contract by the Management Board member as the result of a change of control.

4.4.2.4 Entries and departures during the year

In cases of entries and departures during the year, the total remuneration is granted on a pro-rata basis in accordance with the duration of the employment relationship within the relevant fiscal year.

4.4.2.5 Post-contractual prohibition of competition

At present, no post-contractual prohibitions of competition have been agreed in Management Board employment contracts; in principle, none will be agreed in the future either.

However, the Supervisory Board has the option of agreeing such a clause in future contracts – including in individual cases – within its reasonable discretion. In the event that a post-contractual prohibition of competition is agreed, the Supervisory Board will ensure that any potential severance payment is credited towards any applicable compensation for non-competition.

4.4.2.6 Group-internal/external remuneration for supervisory board mandates

In the event that Management Board members accept supervisory board mandates within the Francotyp-Postalia Group and receive remuneration for this, this remuneration will be credited towards Management Board compensation.

In the event that Management Board members accept external supervisory board mandates and the assumption of the mandate takes place in connection with the Management Board role and in the interest of Francotyp-Postalia, any relevant remuneration will also be credited towards Management Board compensation.

Remuneration and the remuneration system for members of the Supervisory Board

The remuneration of the Francotyp-Postalia Holding AG's Supervisory Board is regulated in Article 17 of the Articles of Association, and the version currently in force was adopted by resolution of the Annual General Meeting on 18 June 2008. Article 17 of the company's Articles of Association states:

17. Supervisory Board remuneration, liability insurance

(1) From fiscal year 2009, in addition to the reimbursement of cash expenses and any VAT incurred in relation to Supervisory Board work, each member of the Supervisory Board receives fixed remuneration of EUR 30,000 per fiscal year, payable in the last month of the fiscal year.

(2) From fiscal year 2009, the fixed remuneration for the Chairman is 150 % of the remuneration for a normal Supervisory Board member and 125 % for the Deputy Chairman.

(3) The amount of remuneration in line with section (1) is increased by 10 % for each Supervisory Board committee to which the member belongs providing that the respective committee has meet at least twice in the fiscal year.

(4) If members join or leave the Supervisory Board during a fiscal year, the members receive the remuneration on a pro rata temporis basis. If a Supervisory Board member joins or leaves a function with increased remuneration, the above sentence applies accordingly in respect to that part of the remuneration related to the relevant function.

(5) As long as a directors and officers liability insurance is maintained by the company at an appropriate level for executive bodies and certain executives in the interests of the company, the company includes the members of the Supervisory Board in the coverage. Premiums for this are paid by the company.

Procedure for defining, implementing and reviewing the remuneration of the Supervisory Board

The Supervisory Board reviews the appropriateness of the structure and amount of its remuneration at irregular intervals. The Supervisory Board is of the opinion that its current remuneration is appropriate in terms of structure and amount, including in regard to supervisory board remuneration at other comparable companies.

The task of the Supervisory Board and its members consists of monitoring and advising the Management Board in its management of the company's business. These activities are fundamentally different from the activities of employees of the company. For this reason, no “vertical” comparison with employee remuneration is taken into consideration in the review of the structure and amount of the remuneration for Supervisory Board members.

From 2020 onwards, it is necessary for the general meetings of exchange-listed companies to adopt a resolution on the remuneration of supervisory board members at least once every four years or to reaffirm the existing remuneration of supervisory board by resolution. In the future, in consideration of this fact, the Supervisory Board will carry out a corresponding analysis of its remuneration every four years at the latest in preparation for this regular resolution in order to submit a corresponding proposed to the Annual General Meeting together with the Management Board.

In this context, it is mandatory to involve the members of the Supervisory Board in the design of the remuneration system which will apply to them. Any resulting conflicts of interest are counteracted by the fact that the decision on the approval of the remuneration system is incumbent solely on the Annual General Meeting and that proposed resolutions concerning this are submitted to the Annual General Meeting by both the Supervisory Board and the Management Board.

Concrete configuration of the remuneration of the Supervisory Board

The remuneration for members of the Supervisory Board consists of a base remuneration and as well as allowances that are granted for the assumption of specific functions in consideration of the additional work involved.

The members of the Supervisory Board receive a fixed annual remuneration of EUR 30,000 for each full fiscal year in office.

Due to the increased effort for preparation and work which is regularly entailed and in accordance with recommendation G.17 GCGC, the members of the Supervisory Board receive additional annual remuneration of EUR 3,000 for each committee to which they belong, provided said committee has met at least twice during the fiscal year in question. In deviation from recommendation G.17 GCGC, no allowances have been defined for the assumption of chairperson roles for committees, as the Supervisory Board is of the opinion that all committee members have a comparable workload. In consideration of the fact that it consists of only three members, the Supervisory Board does not currently maintain any committees.

Furthermore, the chairperson of the Supervisory Board receives an allowance of EUR 15,000 and the deputy chairperson receives an allowance of EUR 7,500, both of which are added to the base remuneration. In accordance with recommendation G.17 GCGC, these allowances take the special responsibilities and the considerable additional organisational and administrative effort associated with the assumption of these offices into account.

Supervisory Board members who have not belonged to the Supervisory Board or a committee for the full duration of a fiscal year or have not held the role of chairperson or deputy chairperson of the Supervisory Board for the full duration of a fiscal year receive the remuneration on a pro-rata basis, rounded up to full months.

The remuneration is paid out in the final month of the respective fiscal year.

Supervisory Board members are also reimbursed for all expenses incurred in connection with the performance of the Supervisory Board mandate, as well as for any value-added tax incurred on their remuneration or expenses.

Finally, the Supervisory Board members are included under the coverage of any existing liability insurance which covers statutory liability from Supervisory Board activities.