

# *Compensation report*

## Fundamentals of the pay system

The compensation for the Executive Board at MLP SE should include both fixed and variable components.

The fixed component comprises a basic salary, a company car that can also be used privately and occupational pension provision. The variable component is granted in the form of an EBIT-based profit-sharing payment.

The ratio between fixed and variable compensation should be set in such a way that the respective member of the Executive Board is not significantly dependent on the variable compensation component, but that this component still offers an effective incentive.

The key strategic objective is to bring about profitable growth. The key indicator and control variable is EBIT which, as operating profit, is essentially the result of revenue and expenses. A variable compensation based on the EBIT performance is therefore a suitable measure for supporting this strategy. By splitting the variable compensation into an immediate payment and a deferred payment, variable compensation has a multi-year basis for assessment. This ensures that focus is not only on short-term success, but also on the company's long-term performance.

Since the profit-sharing payment is exclusively EBIT-based, it is fundamentally independent of the individual performance of the respective member of the Executive Board. However, the Supervisory Board still has the contractual option to adjust the variable compensation both upwards and downwards at its discretion on the basis of the individual performance of a member of the Executive Board, as well as in light of any general market influences on the respective operating results that cannot be attributed to the members of the Executive Board within a contractually stipulated framework.

The existing Executive Board service contracts do not contain any regulations regarding claiming back variable portions of compensation that have already been paid out in addition to those required under the provisions of law.

When specifying compensation for the Executive Board or a member of the Executive Board, the Supervisory Board takes into account the ratio relative to average compensation of the upper management level within the MLP Group, as well as the ratio relative to average compensation among the remaining workforce. This applies both to the average compensation within a year and to the development of compensation over multiple years. Attention is paid to ensure that the compensation of Executive Board members is at an appropriate ratio relative to the compensation of the workforce.

## Pay system

The Supervisory Board at MLP SE has approved a pay system for the members of the Executive Board at MLP SE. The Supervisory Board of MLP SE has decided on a remuneration system for the members of the Executive Board of MLP SE, which will be presented to the Annual General Meeting of MLP SE on June 24, 2021 for resolution. Please refer to the pay system in the Annual Report for details.

## Executive Board compensation

The members of the Executive Board receive a fixed basic annual salary, as well as a variable pay component (bonus) (see table). The basic figure for the bonus payment is determined based on the income statement of the MLP Group in accordance with the respective (international) accounting standards applied in the Group. The EBIT of the MLP Group in the past financial year for which the bonus is to be paid forms the basis of assessment here. The key figure is therefore the earnings before tax (EBT) that would result without deduction of profit-sharing payments. If continuing operations and discontinued operations were to be recognised in the financial year, the basis of assessment is formed by the total of the EBIT of operations to be continued and discontinued respectively. No costs and income directly related to the discontinuation/sale of business segments are included in the basis of assessment. If the employment contract begins or ends in the course of the financial year, the basic bonus figure is reduced pro rata temporis.

Principles of Executive Board pay

45% of the bonus calculated in this way is to be paid as an immediate payment following presentation of the company's adopted financial statements. The remaining 55% is only to be paid as a "deferred payment" after presentation of the financial statements for the financial year two years after the year of the immediate payment. To calculate the deferred payment, the EBIT recorded in the base year as per the MLP Group's profitability analysis is compared with the average of the EBIT recorded in the three years subsequent to the base year and the updated base amount is then adjusted accordingly.

In contractually more closely specified boundaries, the immediate payment and the deferred payment are also subject to an adjustment right, which can be used at the discretion of the Supervisory Board. Here, the Supervisory Board is authorised, at its reasonable discretion, to increase or reduce the immediate payment by up to 30% and the deferred payment by up to 10% based on its assessment of the individual performance of the respective member of the Executive Board or extraordinary developments.

In addition to this, the service contract provides for a cap of the immediate payment and the deferred payment in euro. For both bonus parts, a maximum of 150% of the basic figure is stipulated as the cap with an assumed EBIT of € 100 million.

Under the pay system, the members of the Executive Board are entitled to unrestricted use of a company car and payments from a life and disability insurance policy.

The Chief Executive Officer, Dr Uwe Schroeder-Wildberg, also has an individual occupational benefit plan entitlement. An old-age pension upon reaching 62 years of age, a disability pension, a widow's pension and orphan's benefits have been guaranteed. The benefit entitlement for the old-age pension is specified separately in an addendum to the employment contract. The disability pension and widow's pension are 60% of the contractually agreed old-age or disability pension benefit. The level of orphan's benefit payable per eligible child is calculated on a case-by-case basis. The total of the widow's pension and orphan's benefit of all entitled persons together must not exceed 100% of the old-age pension. However, the members of the Executive Board, Manfred Bauer and Reinhard Loose, receive employer-financed, defined contribution benefits in an occupational pension scheme.

The service contracts of all members of the Group Executive Board comprise change-of-control clauses granting the right to termination for cause in the event that

- the company's share of voting rights changes in accordance with §§ 21, 22 of the German Securities Trading Act;
- the company is reorganised in line with the provisions of the German Reorganisation of Companies Act (UmwG). This does not apply if the company changes its corporate form, spin-offs in line with § 123 (3) of the German Reorganisation of Companies Act or for mergers in accordance with the provisions of the Reorganisation of Companies Act, in which the company is the incorporating legal entity.

If a member of the Executive Board resigns on the basis of the aforementioned conditions, he is entitled to compensation of no more than two annual salaries, on the condition that the termination takes place more than two years before the end of contract. After that, the regulations apply on a pro-rata-temporis basis.

To comply with the relevant supervisory requirements, the service contracts of all members of the Executive Board also include the following provisions:

- In the event of negative performance or misconduct on the part of the Executive Board member in question in the sense of § 5 of the Ordinance on the Supervisory Requirements for Institutions' Pay Systems (InstitutsVergV), the Supervisory Board is entitled to reduce the benefits to which said member is entitled at its discretion when said member resigns from their position voluntarily.
- The members of the Executive Board undertake not to engage in any personal hedging or other countermeasures as a way of limiting or even eliminating the risk-orientation of compensation.
- Pursuant to § 25a (5) of the German Banking Act (KWG), the variable compensation component must not exceed 200% of the fixed compensation component for each member of the Executive Board. An AGM resolution that proposes increasing the variable compensation cap from 100% to 200% of the fixed compensation component, and thereby deviates from § 25a (5) Sentence 2 of the German Banking Act (KWG), has been submitted.

As per the revised version of the German Corporate Governance Code (GCGC) from 16 December 2019, it is no longer necessary to publish individualised Executive Board compensation as per the specimen tables of the GCGC. However, to ensure that a high degree of transparency is still maintained, we continue to disclose Executive Board pay as in previous years.

#### Individualised Executive Board compensation in line with the German Corporate Governance Code (DCGK)

Allocation (All figures in €'000)	Dr Uwe Schroeder- Wildberg		Reinhard Loose		Manfred Bauer	
	Chief Executive Officer		Chief Financial Officer		Member of the Board for Products and Services	
	since 1 Jan 2003		since 1 Feb 2011		since 1 May 2010	
	2019	2020	2019	2020	2019	2020
Fixed compensation	550	550	360	360	360	360
Fringe benefits	34	29	20	19	32	30
<b>Total fixed compensation</b>	<b>584</b>	<b>579</b>	<b>380</b>	<b>379</b>	<b>392</b>	<b>390</b>
One-year variable compensation	384	306	256	204	256	204
Multi-year compensation	273	344	182	230	182	230
2015 bonus (2015-2018)	273	0	182	0	182	0
2016 bonus (2016-2019)	0	344	0	230	0	230
Other	0	0	0	0	0	0
<b>Total fixed and variable compensation</b>	<b>1,241</b>	<b>1,229</b>	<b>819</b>	<b>812</b>	<b>830</b>	<b>823</b>
Pension benefits	267	324	150	150	150	150
<b>Total compensation (in accordance with the German Corporate Governance Code (DCGK))</b>	<b>1,508</b>	<b>1,553</b>	<b>969</b>	<b>962</b>	<b>980</b>	<b>973</b>

## Granted benefits

Benefits granted (all figures in €'000)	Dr Uwe Schroeder-Wildberg				Reinhard Loose			
	Chief Executive Officer				Chief Financial Officer			
	since 1 Jan 2003				since 1 Feb 2011			
	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	34	29	29	29	20	19	19	19
<b>Total fixes compensation</b>	<b>584</b>	<b>579</b>	<b>579</b>	<b>579</b>	<b>380</b>	<b>379</b>	<b>379</b>	<b>379</b>
One-year variable compensation	304	368	258	479	203	245	172	319
Multi-year compensation	512	570	0	990	341	380	0	660
2019 bonus (2019-2022)	512	0	0	0	341	0	0	0
2020 bonus (2020-2023)	0	570	0	990	0	380	0	660
<b>Total fixed and varibale compensation</b>	<b>1,400</b>	<b>1,517</b>	<b>836</b>	<b>2,047</b>	<b>925</b>	<b>1,004</b>	<b>550</b>	<b>1,358</b>
Pension benefits	267	324	324	324	150	150	150	150
<b>Total compensation (in accordance with the German Corporate Governance Code (DCGK))</b>	<b>1,668</b>	<b>1,841</b>	<b>1,161</b>	<b>2,372</b>	<b>1,075</b>	<b>1,154</b>	<b>700</b>	<b>1,508</b>

Benefits granted (all figures in €'000)	Manfred Bauer			
	Member of the Board for Products and Services			
	since 1 May 2010			
	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	360	360	360	360
Fringe benefits	32	30	30	30
<b>Total fixes compensation</b>	<b>392</b>	<b>390</b>	<b>390</b>	<b>390</b>
One-year variable compensation	203	245	172	319
Multi-year compensation	341	380	0	660
2019 bonus (2019-2022)	341	0	0	0
2020 bonus (2020-2023)	0	380	0	660
<b>Total fixed and varibale compensation</b>	<b>936</b>	<b>1,015</b>	<b>562</b>	<b>1,369</b>
Pension benefits	150	150	150	150
<b>Total compensation (in accordance with the German Corporate Governance Code (DCGK))</b>	<b>1,086</b>	<b>1,165</b>	<b>712</b>	<b>1,519</b>

As of 31 December 2020, pension provisions of € 20.3 million (€ 20.3 million) were in place for former members of the Executive Board.

When specifying and reviewing compensation for the Chairman of the Executive Board or a member of the Executive Board, the Supervisory Board takes into account the ratio relative to average compensation of the senior management level within the MLP Group, as well as the ratio relative to average compensation among the remaining workforce. This applies both to the average compensation within a year and to the development of compensation over multiple years. Attention is paid to ensure that the

compensation of Executive Board members is at an appropriate ratio relative to the compensation of the workforce.

In addition to this, a horizontal comparison is performed. The benchmark companies are selected in accordance with the stipulations in the pay system. For the financial year 2020, the benchmark group comprised the following companies: Aareal Bank AG, Comdirect Bank AG, Deutsche Beteiligungs AG, Deutsche Pfandbriefbank AG, GRENKE AG, Hannover Rück SE, Hypoport AG, INDUS Holding AG, OVB Holding AG, Talanx AG and Wüstenrot & Württembergische AG.

## Compensation of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, the members of the Supervisory Board receive a fixed annual compensation of € 40,000 in accordance with the Articles of Association. The Chairman of the Supervisory Board receives twice this amount and their deputy one and a half times. Additional, special compensation is granted for work on the Audit Committee and the Personnel Committee. This comes to € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The chairman of the respective committee receives twice the stated level of compensation. The fixed portion of compensation is paid after the end of the financial year. No member of the Supervisory Board receives any variable or share-based compensation components.

### Individualised Supervisory Board compensation

Individualised Supervisory Board compensation	Compensation 2020	Compensation 2019
All figures in €'000 (without tax)		
Dr Peter Lütke-Bornefeld (Chairman)	135	135
Dr Claus-Michael Dill (Vice Chairman)	110	110
Tina Müller	55	55
Matthias Lautenschläger	80	80
Burkhard Schlingermann	55	55
Alexander Beer	65	65
<b>Total</b>	<b>500</b>	<b>500</b>

In the financial year 2020, € 15 thsd (previous year: € 17 thsd) was paid as compensation for expenses.