



# Remuneration system for the members of the Executive Board of OVB Holding AG

Since January 1, 2021



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## **A. Main features of the remuneration system for the members of the Executive Board of OVB Holding AG**

### **I. Objective**

The remuneration of the members of the Executive Board of OVB Holding AG is determined on the basis of the German Stock Corporation Act and is geared towards the company's long-term and sustainable development. The remuneration comprises non-performance-based salary and fringe benefit payments and performance-based (variable) components.

The OVB Holding AG Executive Board remuneration system aims to remunerate Executive Board members appropriately proportionate to their activities and areas of responsibility and to directly take into account the performance of each individual Executive Board member and the performance of the company.

The financial and non-financial individual targets, which form an integral part of the performance-based remuneration components, serve to support the business strategy. They also aim to achieve a sustained increase in the company's value and foster success-oriented corporate management. The idea is that this not only provides incentives for long-term development focused on value creation along with the avoidance of disproportionate risk-taking, but also inspires innovation. For this reason, the share of perennial performance-based remuneration components is given a proportionately high weighting.

The horizontal and vertical proportionality of the Executive Board remuneration is reviewed at regular intervals – usually with the help of an independent external consultant – and assessed by the Supervisory Board. A peer group of comparable companies is used as a horizontal reference. The vertical internal remuneration comparison is carried out using a two-fold strategy. It looks not only at the level of Executive Board remuneration in relation to the average remuneration of the company's senior management, but also at the average remuneration of the company's employees in Germany at levels below senior management. It also looks at the context of how this remuneration has developed over time.

In accordance with legal requirements, the remuneration system also contains provisions for maximum remuneration for each Executive Board function.

### **II. Basic structure**

The structure of the remuneration system and the specific structure of individual Executive Board member remuneration to be determined by the Supervisory Board is based on the following key principles:

1. The performance of the Executive Board members should be encouraged as a whole, without compromising entrepreneurial freedom in the individual Executive Board areas. Given that key strategic targets can only be achieved by all the areas working together and with the contributions of all the Executive Board members, the short- and long-term remuneration components are based on various company key indicators, while simultaneously taking into account the performance contributions of the individual Executive Board areas to the company's overall success.

2. Executive Board member remuneration should be in line with the market and take account of the size, complexity, alignment and financial position of the company. On this basis, Executive Board members should be offered a competitive remuneration package in line with market conditions that meets regulatory requirements and also encourages the Executive Board to align its activities with the principle of sustainable management.
3. Executive Board member target remuneration comprises a fixed and a variable remuneration component. Part of its amount is geared towards short-term targets and part towards long-term targets.
4. The remuneration system resolved by the Supervisory Board on 1 January 2021 has a straight-forward, clear and comprehensible structure, and complies with the requirements of the Stock Corporation Act as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II).

## B. Components of the OVB Holding AG Executive Board remuneration system

### I. Remuneration structure

The remuneration of each Executive Board member of OVB Holding AG comprises fixed and variable remuneration components. The fixed, non-performance-based remuneration comprises basic remuneration (fixed basic salary) as well as fringe benefits and an annual contribution to a defined contribution provident fund with matching cover set up for the Executive Board member and their dependants. The fixed remuneration component makes up between 63.1% and 65.0% of the target remuneration.

Performance-based remuneration – in other words, based on the achievement of specific, measurable targets and therefore variable – is granted as a short-term variable remuneration component (short-term incentive, STI) and a long-term variable remuneration component (long-term incentive, LTI). The variable remuneration component makes up between 35.0% and 36.9% of the target remuneration.

Fixed remuneration	Basic remuneration	Fixed, contractually agreed cash remuneration relating to the financial year, which is paid out in twelve monthly instalments	
	Fringe benefits	Mainly use of company car and coverage of costs for other insurance policies	
	Contribution to a defined contribution provident fund with matching cover	Annual contribution that the company pays to the provident fund in twelve monthly instalments or every six months	
Performance-based variable remuneration	Short-term incentive, STI (short-term variable remuneration)	Type	Annual bonus
		Performance criteria	<ul style="list-style-type: none"> <li>▪ 40% EBIT target/actual comparison</li> <li>▪ 20% brokerage income target/actual comparison</li> <li>▪ 20% further individual financial and operating targets</li> <li>▪ 20% qualitative targets, including a sustainability target (tbd)</li> </ul>
		Target corridor	75% – 125% for quantitative targets, up to 150% for qualitative targets
		Method of payment	In the following year once the target achievement level has been determined by the Supervisory Board based on the annual financial statements, no later than one month after the Annual General Meeting for that year
	Long-term incentive, LTI (long-term variable remuneration)	Type	Bonus bank system featuring penalty provision
		Performance criteria	<ul style="list-style-type: none"> <li>▪ 70% operating income</li> <li>▪ 30% brokerage income</li> </ul>
		Target corridor	Penalty range from 0% to 59.99% target achievement, neutral range from 60% to 79.99%, bonus range from 80% to 200%
		Method of payment	A third of the remaining bonus bank balance is paid out every following year, after the bonus bank is adjusted and the penalty provision is offset.

## II. Breakdown of remuneration components

### 1. Fixed remuneration components

The fixed, non-performance-based remuneration includes basic remuneration, fringe benefits and a contribution to each member's pension fund.

#### a. Basic remuneration

Each member of the Executive Board of OVB Holding AG receives fixed basic remuneration. This is cash remuneration relating to the financial year and is based specifically on each board member's level of responsibility. It is paid out in twelve equal monthly instalments. It is reviewed at regular intervals by the Supervisory Board and adjusted if necessary.

#### b. Fringe benefits

Fringe benefits mainly include use of a company car, provision of telecommunication resources and coverage of costs for other insurance policies, all of which are equally available in principle to all Executive Board members but the amounts of which may differ depending on each member's personal situation.

#### c. Pension fund contribution

Each Executive Board member is awarded a contribution to a defined contribution provident fund with matching cover set up for the particular Executive Board member and their dependants. The company pays this contribution to the provident fund in twelve monthly instalments or every six months. The amount is different for each individual member.

### 2. Performance-based variable remuneration

#### a. Composition

The variable, performance-based remuneration includes a short-term and a long-term component - the STI and the LTI. The actual amount of the variable remuneration depends on the achievement of financial and other performance parameters. These parameters are derived from operating, but also strategic targets. Of the total variable remuneration component, 45% is made up of short-term variable remuneration (STI) and 55% of long-term variable remuneration (LTI).

With a view to the company's sustainable and successful development in the interests of the shareholders and with the aim of ensuring that the Executive Board remuneration appropriately reflects OVB Holding AG's position, the relative shares are determined by various targets for the short-term and long-term components of variable remuneration, and the figures and parameters for defining target achievement are specified by the Supervisory Board to each individual Executive Board member before the start of each financial year.

#### b. Short-term incentive, STI (short-term variable remuneration)

The STI is based on the financial, business, operating or strategic successes achieved by the OVB Group during the financial year, and is paid entirely in cash.

Before the start of each financial year, on the recommendation of the Nomination and Remuneration Committee the Supervisory Board sets out the specific performance criteria, key performance indicators and focus topics, including the performance measurement methods based on the budget prepared by the Executive Board and approved by the Supervisory Board, and establishes the weighting of their share of the STI. The Supervisory Board places special emphasis on using clearly defined and measurable qualitative targets that reflect the current strategy.

The top priority for OVB Holding AG is to secure and increase the company's success and value in all relevant manifestations.

This aims to consolidate the earnings power and market position of OVB Holding AG over the long term and to incentivise profitable and efficient business practices. In addition to traditional earnings indicators, this also specifically takes into account key targets for the company's sustainable development such as implementation of the corporate strategy, development of new business areas and markets, or optimization of the company's current market position.

Sustainability targets are also factored in. This could be, for example, efficient use of resources, customer and employee satisfaction and development, innovation performance, succession planning and compliance.

The performance criteria are defined on the basis of suitable and established indicators within the company. When defining targets, the Supervisory Board ensures that they are challenging and ambitious. The Supervisory Board is free to define additional financial, business or strategically relevant targets or sustainability targets and to add them to the specific catalogue of criteria for the STI for a particular financial year.

Quantitative targets account for 80% of the STI, and qualitative targets for 20%. The relative weightings are 40% for operating income (EBIT), 20% for brokerage income (sales), 20% for other financial and operating targets, and 20% for qualitative targets including a sustainability target.

The target corridor for the annual bonus ranges from 75% to 125% of the STI for quantitative targets and up to 150% for qualitative targets.

All STI parameters remain unchanged for the particular financial year.

Determination of target achievement:

In the first Supervisory Board meeting after the end of the financial year, the Supervisory Board confirms the actual STI target achievement for each Executive Board member on the basis of the adopted financial statements.

The STI is paid out no later than one month after the Annual General Meeting.

### **c. Long-term incentive, LTI (long-term variable remuneration)**

The LTI requires earnings targets to be met over a longer period in order to ensure sustainable company development.

The company has refrained from making provisions for share-based long-term remuneration. The LTI is paid in cash, as the remuneration should be based solely on factors that can be influenced by the Executive Board.

In view of the low free float at OVB Holding AG, the Supervisory Board does not consider such a share subscription as part of the Executive Board remuneration to be useful as a management element.

In order to appropriately factor in the performance of an individual Executive Board member and the Executive Board as a whole, the LTI is granted on the basis of indicator-based remuneration over a three-year measurement period (“performance period”), which is managed as an individual balance within a bonus bank.

The LTI is based on two financial targets that represent the two key management variables of OVB Holding AG (brokerage income and operating income). The relative weightings are 70% for operating income and 30% for brokerage income.

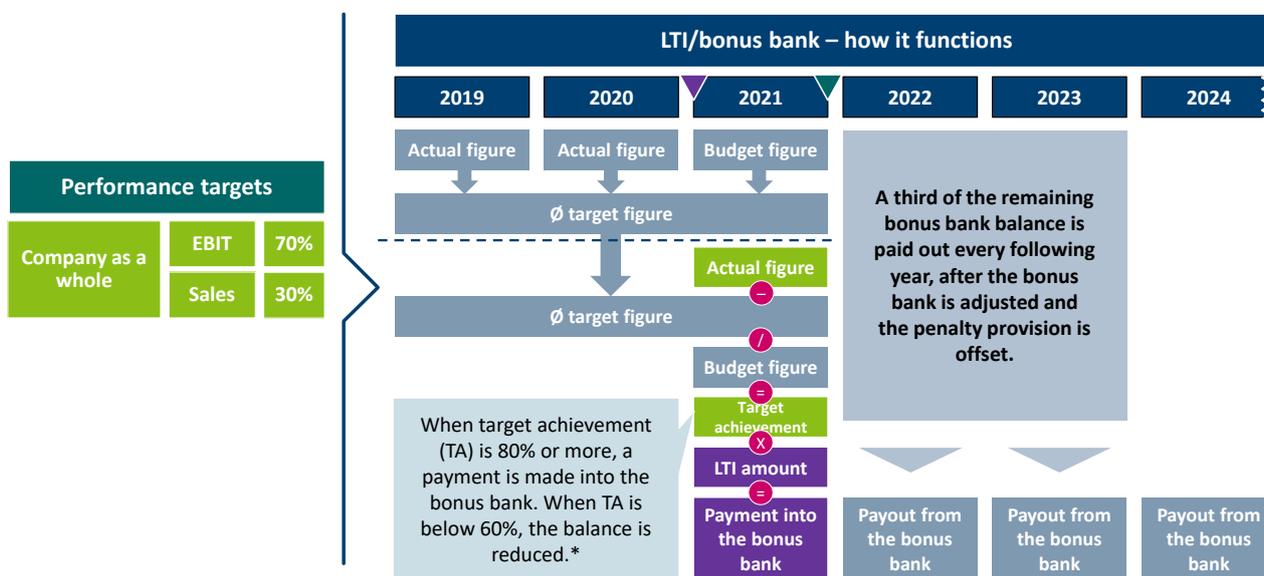
The LTI target amount is set before the start of the particular financial year.

The basis for measurement of the LTI for a particular financial year is derived from the rolling average of the actual figures achieved for the last two financial year and achievement of the budget figure for the current financial year.

When target achievement is between 80% and a maximum of 200%, the bonus amount received is paid into the bonus bank.

Target achievement of between 60% and 79.99% has no impact on the bonus bank balance.

If the target achievement level of 60% is not met (between 0% and 59.99%), the bonus bank balance accumulated up to that point is reduced by the corresponding negative amount (penalty provision).



\* Target achievement of between 60% and 79.99% has no impact on the bonus bank balance.

In the first Supervisory Board meeting after the end of the financial year, the Supervisory Board sets the actual LTI target achievement for each Executive Board member.

A third of the remaining bonus bank balance is paid out every following year at the same time as the STI after the Annual General Meeting has taken place, once the bonus bank has been adjusted and the penalty provision offset.

## C. Caps on remuneration

### a. Principle of proportionality

The Executive Board remuneration should be proportionate to the activities and performance of the Executive Board members. The remuneration system should create incentives for the sustainable and long-term development of the company as a whole and for the long-term engagement of the Executive Board members. Factors such as the financial position, market environment, success and future prospects of the company are taken into account in particular. The Supervisory Board also pays special attention to ensuring that the maximum remuneration is in line with market conditions. The following means are used to assess whether remuneration is in line with the market:

### b. External comparison (horizontal proportionality)

To assess whether the overall remuneration is in line with the market, a peer group is used, which is composed in such a way that, based on the criteria of company size, sector, country and international scope, legal form, capital market orientation and relevant job market, it is comparable with OVB Holding AG across as many dimensions as possible:



### c. Internal comparison (vertical proportionality)

Assessing vertical proportionality involves determining the level of Executive Board remuneration in relation to the average remuneration of senior management within the company and in relation to the remuneration of the overall workforce (levels below senior management) at OVB Holding AG, comparing these ratios with the previously stated peer group and evaluating whether the remuneration is in line with the market. This comparison also takes into account how the remuneration has developed over time.

The Supervisory Board determines how senior management and the relevant workforce should be defined and how the remuneration should be assessed by comparison.

Using this as a basis, a maximum level of remuneration is defined for each Executive Board member based on the non-performance-based and maximum possible performance-based remuneration components in each case, including contributions to the pension fund and fringe benefits. The maximum remuneration for the individual Executive Board members is as follows:

CEO:	EURO 1,100,000
CFO:	EURO 560,000
COO:	EURO 700,000

#### **D. Recognition of remuneration for secondary activities**

If the Executive Board member holds Supervisory Board offices within the Group, this activity is fully compensated in addition to the remuneration for the office of Executive Board member of OVV Holding AG.

If an Executive Board member holds Supervisory Board offices at companies outside the Group, as part of the approval process the Supervisory Board decides whether and to what extent the remuneration should be recognized.

#### **E. Remuneration-related transactions**

The remuneration of Executive Board members is determined by their employment contracts, where the Supervisory Board defines the variable remuneration components every year on the basis of this remuneration system.

#### **F. Arrangements for termination of activity**

If an Executive Board member's contract is terminated, any remaining variable remuneration components attributable to the period up until contract termination shall be disbursed in the following year. The remaining balance in the bonus bank upon termination of Executive Board activity is offset against the LTI target achievement amount for the past financial year. The total disbursement of the remaining balance in the bonus bank is also paid out in the following year once the annual financial statements have been adopted.

If the Executive Board mandate is terminated prematurely and the employment contract is terminated on an amicable basis, the total amount of the payments payable by the company to the Executive Board member under such an arrangement shall be capped at the amount of total remuneration due to be paid by the company for the original remaining term of the employment contract and shall not exceed two annual payments.

Promises to pay Executive Board members in the event of premature termination of Executive Board activity following a change of control (known as "change of control" provisions) are not part of the contracts the company has concluded.

#### **G. Current applicability of the above remuneration system**

This remuneration system for Executive Board members shall apply for the remuneration of all members of the Executive Board of OVV Holding AG and shall be applicable from 1 January 2021 to extended employment contracts and to any newly signed employment contracts.

## H. Procedure for determining OVB Holding AG Executive Board remuneration

The Supervisory Board defines the system for Executive Board remuneration and reviews it on a regular basis. Supervisory Board resolutions are prepared by the Nomination and Remuneration Committee. It formulates recommendations for the Executive Board remuneration system and the Supervisory Board discusses and votes on them. Reviews are carried out to assess both the remuneration structure and the amount of Executive Board remuneration, particularly in comparison with the external market (horizontal proportionality) and with other remuneration at the company (vertical proportionality). If it becomes apparent that there needs to be a change to the remuneration system, remuneration structure or remuneration amount, the Supervisory Board's Nomination and Remuneration Committee submits relevant proposals for resolution to the Supervisory Board.

If required, the Supervisory Board can call in external consultants to help set up or revise the Executive Board remuneration system. When issuing mandates to external remuneration experts, the company pays particular attention to their independence and asks for confirmation of this independence. The remuneration consultants that are brought in are changed regularly. The applicable regulations for dealing with conflicts of interest are also taken into account with regard to the relevant procedures for determining, implementing and reviewing the remuneration system.

There have not been any conflicts of interest with individual Supervisory Board members in the past in the course of making decisions about the Executive Board remuneration system.

The remuneration system resolved by the Supervisory Board is submitted to the Annual General Meeting for approval in accordance with Section 120a of the German Stock Corporation Act. If the Annual General Meeting rejects the approval of the proposed system, a revised remuneration system will be submitted for a vote at the next Annual General Meeting.

The Nomination and Remuneration Committee reviews the Executive Board remuneration system on a regular basis and submits proposals to the Supervisory Board if it identifies any need for changes. In the event that significant changes are required, but at least once every four years, the remuneration system is resubmitted to the Annual General Meeting for approval.

## I. Reporting

The Executive Board and Supervisory Board prepare a remuneration report each year in accordance with legal requirements. In it, the Supervisory Board reports on matters such as whether any additional target figures have been added to the specific catalogue of criteria for the STI and/or LTI for that particular financial year or whether there have been changes to the company's peer group.

The remuneration report on Executive Board remuneration for the past financial year also contains an outlook for the application of the remuneration system for the current financial year. This outlook reports in advance on how financial performance criteria are selected - as long as this does not breach confidentiality.

Neither non-financial performance criteria nor specific achievement of targets for financial indicators are discussed as, in the case of strategically relevant targets, this may breach the company's confidentiality obligations.

The targets, target figures and parameters of comparison are not subject to change during the respective target achievement periods. The Supervisory Board refrains from accounting for extraordinary developments and from retaining or reclaiming variable remuneration in full or in part.