



Compensation system for the Executive Board of KPS AG

I. Introduction

The remuneration report explains the principles of the remuneration system for the members of the Executive Board and Supervisory Board of KPS AG and describes the amount and structure of the remuneration of the members of the executive bodies for the financial year 2021/2022. The report was prepared by the Executive Board and Supervisory Board in accordance with the requirements of Section 162 of the German Stock Corporation Act (AktG) and complies with the recommendations and suggestions of the German Corporate Governance Code (DCGK) in its version of 16 December 2019. Both the remuneration system for the Executive Board and the remuneration system for the Supervisory Board as well as the remuneration report comply with the principles, recommendations and suggestions of the DCGK.

This remuneration report presents the Executive Board remuneration under the 2020/2021 remuneration system in accordance with the applicable regulatory requirements.

II. Review of the 2021/2022 business year

The previous system for the remuneration of Executive Board members was adjusted in some areas by resolution of the Supervisory Board with effect from 1 October 2020 and submitted to the Annual General Meeting on 21 May 2021 for resolution, which approved the adjusted system for the remuneration of Executive Board members with 81.04 percent. In addition, the adjusted system for the remuneration of Supervisory Board members was submitted to the 2020/2021 Annual General Meeting for resolution and approved by 99.13 per cent. The Executive Board consists of only one member, Mr Leonardo Musso.

III. Remuneration of the Executive Board in the 2021/2022 financial year

1. Principles of the remuneration system for the Executive Board

The adjusted remuneration system for the Executive Board of KPS AG is based on the following guidelines:

- Transparent, comprehensible remuneration oriented towards the sustainable success of the company as a whole makes a significant contribution to promoting the business strategy.
- The remuneration of the Executive Board members is geared towards the long-term and sustainable development of the KPS Group. The majority of the variable remuneration is therefore based on a multi-year assessment basis.
- The remuneration of Executive Board members is commensurate with the range of tasks and performance of the Executive Board member. Variable remuneration components are made dependent on the achievement of demanding targets and significant target failures lead to a noticeable reduction in remuneration.
- Multi-year assessment bases in combination with a bonus and malus system and capping amounts for the variable bonus component that take effect every financial year promote long-term earnings-oriented growth and avoid incentives to take disproportionate risks.

- The remuneration of the members of the Executive Board is in line with the market in terms of both amount and structure and takes into account the size, complexity and economic situation of the company.

1.1. Procedures for establishing, implementing and reviewing the remuneration system

The remuneration system shall be adopted by the supervisory board as the body responsible for executive board remuneration in accordance with the legal requirements in sections 87 (1), 87a (1) of the German Stock Corporation Act (AktG) and submitted to the general meeting for approval in accordance with section 120a of the AktG. If the general meeting does not approve the remuneration system, a remuneration system reviewed by the supervisory board shall be submitted to it for approval at the following ordinary general meeting at the latest. The remuneration system complies with the recommendations of the German Corporate Governance Code (DCGK) insofar as no deviations from these recommendations are declared in the respective declaration of compliance pursuant to § 161 AktG.

1.2. Determination and appropriateness of the remuneration of the Executive Board

The appropriateness of the remuneration components is reviewed by the Supervisory Board at regular intervals. In this context, the Supervisory Board also compares the remuneration of the Executive Board within the framework of a vertical (internal) comparison with the remuneration structure of the upper management circle of the KPS Group below the Executive Board level. For a horizontal peer group comparison, the Supervisory Board consults a suitable peer group of companies whose market position is relevant in comparison to KPS AG. The focus here is on such companies that are comparable to KPS AG in terms of market capitalisation, revenue and industry. The Supervisory Board also takes into account whether and to what extent a member of the Executive Board holds an interest in the company. As a result, in the case of a significant shareholding, this can lead to the remuneration of the Executive Board member concerned being below the standard market remuneration with his or her consent and in the interest of the Company and its shareholders.

If necessary, the supervisory board may engage external remuneration experts to assess appropriateness (in particular vertical and horizontal appropriateness). If the supervisory board makes use of this possibility, it shall ensure the independence of the commissioned remuneration experts.

In the event of significant changes to the remuneration system, but at least every four years, the remuneration system shall be submitted to the general meeting for approval. The general meeting may adopt a confirming resolution.

1.3. Measures to avoid conflicts of interest

In order to avoid potential conflicts of interest, the members of the Supervisory Board are obliged to disclose any conflicts of interest to the Chairman of the Supervisory Board, who shall inform the Supervisory Board accordingly. A conflict of interest may result in the supervisory board member concerned abstaining from voting on the resolution or, in the case of a serious conflict of interest, also not participating in the deliberation. The regulations applicable to the handling of conflicts of interest of Supervisory Board members must also be observed in the procedures for determining, implementing and reviewing Executive Board remuneration and the remuneration system. No conflicts of interest arose in the 2021/2022 business year.

1.4. Remuneration systems applied in the financial year 2021/2022

The Executive Board is remunerated in accordance with the remuneration system applicable to it. The remuneration system was submitted to the Annual General Meeting on 21 May 2021 for approval in accordance with § 120a para. 1 of the German Stock Corporation Act (AktG) and approved by 81.04 per cent (hereinafter: remuneration system 2020/2021). Thus, the 2020/2021 remuneration system will apply to all new Executive Board service contracts to be concluded or extended from 1 October 2021. Due to the extension of Mr Leonardo Musso's appointment as Executive Board member for the term from 1 January 2022 to 31 December 2026, the 2020/2021 remuneration system will apply to him.

2. Overview of the system for the remuneration of the members of the Executive Board

2.1. Target remuneration and structure

The system of remuneration for Executive Board members consists of non-performance-related and performance-related components.

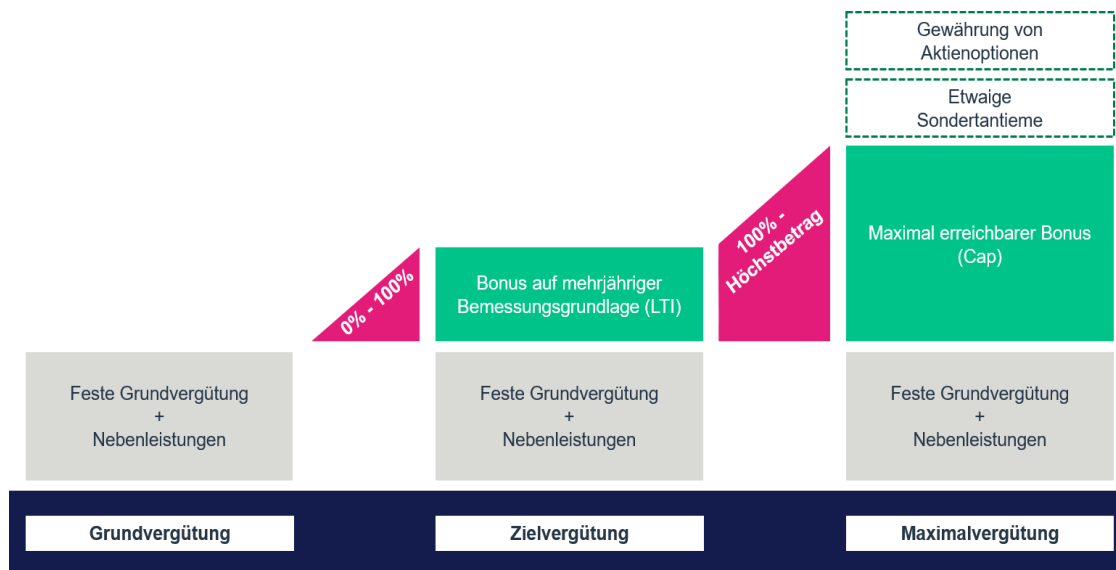
The non-performance-related remuneration components consist of the basic remuneration and the contractual fringe benefits. The performance-related component includes the bonus, performance-related special bonuses and stock options. No use was made of the option to issue stock options in the 2021/2022 business year.

The sum of the basic remuneration, the contractual fringe benefits and the target amount of the bonus together make up the target remuneration.

To ensure the performance orientation of the Executive Board remuneration, the target remuneration (basic remuneration, contractual fringe benefits and bonus for 100 per cent target achievement) is made up of around 50 per cent performance-related remuneration components and around 50 per cent non-performance-related remuneration components. 100 per cent of the performance-related remuneration has a multi-year assessment basis.

The performance-related bonus, which is based on the performance parameters, promotes sustainable growth of the KPS Group and strategic and operational management decisions oriented towards the success of the company as a whole due to the multi-year assessment basis, the clarity of calculation based on objective circumstances, and the fact that the majority of the bonus is earnings-oriented. The performance parameters are clearly defined for each financial year and are generally disclosed in the remuneration report.

Overview of the remuneration structure with its short-term and long-term remuneration components



2.2. Maximum remuneration

The annual inflow from basic remuneration, variable remuneration components, pension expenses and fringe benefits is limited to a total amount of € 900,000 for the Chairman of the Executive Board/sole member of the Executive Board and to a total amount of € 650,000 gross for each additional member of the Executive Board (total cap). In the 2021/2022 business year, the maximum remuneration was not reached; please refer to the overview of the benefits granted in the section "Individual disclosure of the remuneration of the Executive Board".

In the interest of the shareholders, the Executive Board will thus continue to be offered competitive incentives for outstanding performance and long-term and sustainable corporate success.

3. The remuneration components in detail

3.1. Non-performance-related remuneration components

3.1.1. Basic remuneration

The members of the Executive Board receive a fixed basic salary, which is paid monthly in twelve equal instalments. In determining the amount of the basic salary, the Supervisory Board is guided by the range of tasks and responsibilities of the Executive Board member, the experience of the respective Executive Board member and other parameters.

3.1.2. Ancillary services

The members of the Executive Board are contractually granted fringe benefits. These include, among other things, the provision of an appropriate company car for business and private use. Furthermore, the Executive Board members receive reimbursement of the employer's contributions to statutory pension insurance and full statutory contributions to health and long-term care insurance, which are customary in the case of assumed employment as an employee. Fur-

thermore, the Executive Board members receive insurance cover in various areas, in particular in the form of an accident insurance and a pecuniary damage liability insurance (D&O insurance).

3.2. Performance-related remuneration components

The performance-related remuneration components represent the second part of the remuneration of the Executive Board members. The performance-related remuneration consists of a bonus, performance-related special bonuses and a stock option programme. In order to ensure a sustainable and long-term development of KPS and to achieve an alignment of interests between the Executive Board and the shareholders, the bonus as a performance-related remuneration component is multi-year. The bonus is calculated on the basis of long-term performance development by assessing various target criteria over three years. Special performance-related bonuses are paid in the event of special performance by the Executive Board member for the past financial year. The issue of options within the framework of the stock option programme serves as a targeted incentive and at the same time is intended to achieve a bonding effect of the participants to the KPS Group.

3.2.1. Performance Bonus

Basics of the bonus

The bonus based on the performance parameters is calculated over the entire three-year assessment period. A new assessment period with new targets begins in each financial year. During the assessment periods, interim payments are made based on the targets achieved up to that point and the estimate of target achievement for the remaining periods. After the end of each financial year of the relevant assessment period and submission of the audited annual and consolidated financial statements of the Company for this financial year to the Supervisory Board, the Executive Board member receives an annual down payment on the expected bonus for an initial year, the amount of which is generally based on the balance of the bonus and malus amounts achieved up to that point. The Supervisory Board is entitled to adjust the amount of the down payment at its reasonable discretion. The interim payment shall become due for payment with the next salary run after submission of the audited annual and consolidated financial statements to the supervisory board. After the final bonus has been determined, the Executive Board member is obliged to immediately repay to the Company any difference between the payments on account on a prospective bonus and the final determined bonus. In the 2021/2022 business year, there were no reasons for a reclaim or reduction.

Description of the objectives:

The bonus is determined on the basis of the target achievement of the specified Group EBIT. Separate annual target EBITs are set for each three-year assessment period.

A realised Group EBIT in the amount of the target EBIT (and in addition up to 105% of the target EBIT) for the respective business year of the assessment period means a target achievement of 100%.

A realised Group EBIT of 105% to 110% of the target EBIT means a target achievement of 110%.

A realised Group EBIT of more than 110% of the target EBIT means the maximum possible target achievement of 120% (upper limit).

A realised Group EBIT of more than 95% but less than 100% of the target for the respective business year of the assessment period means a target achievement of 90%.

A realised Group EBIT of more than 90% but less than 95% of the target EBIT means a target achievement of 80%.

A realised Group EBIT of up to 90% of the target EBIT means a target achievement of 60%.

Determination of individual goals and evaluation by the supervisory board

The targets shall be set by the Supervisory Board by the end of March of the initial financial year at the latest on the basis of objectively measurable and transparent criteria. For each year of the assessment period, a fair value and various bandwidths or deviation ranges of financial and, where applicable, non-financial performance criteria are set, which are matched by bonus and malus amounts for each year of the assessment period, depending on the respective target achievement. Targets are determined in each baseline financial year for each year of an assessment period, but these targets for the baseline year bonus are unaffected by the separate determination of targets for future assessment periods.

The performance parameters are to be predominantly earnings-oriented. For the current financial year 2021/2022, the bonus-relevant performance parameter for the sole member of the Executive Board, Mr Leonardo Musso, is the earnings from ordinary activities before interest and taxes (EBIT) of the respective financial year as reported in the consolidated financial statements of KPS AG. The Group EBIT is of outstanding importance as a key financial figure for the corporate management of the KPS Group. A significant increase in earnings over a multi-year assessment period is a decisive prerequisite for the KPS Group as a consulting company for sustainable corporate growth and the implementation of the business strategy. The Supervisory Board may use alternative or additional key earnings figures (EBT, EBITDA) and additional financial performance parameters (amount of incoming orders) as a basis for determining the bonus. The supervisory board may adjust the actual value of the key earnings figures to take into account non-recurring, extraordinary circumstances and/or non-operational effects. Insofar as the supervisory board deems it expedient to promote the business strategy and the long-term development of the company, it may also base the bonus assessment on non-financial performance parameters in the form of management and personnel goals, project and process goals and ESG goals (Environmental Social Governance), as long as the performance parameters are predominantly profit-oriented in their weighting.

Achievement of bonus targets in the 2021/2022 business year

The performance bonus is measured against the Group EBIT financial target. This target is set in each assessment period for each individual financial year.

Group EBIT amounted to EUR 14.4M in the financial year 2021/2022, which means a target achievement of 70 per cent in the second year of the assessment period 2020/2021 - 2022/2023.

The target achievement of the baseline year of the assessment period 2021/2022 - 2023/2024 is 96 per cent.

4. Termination of the service contract

4.1. Change of Control

In the event of a change of control at the Company, a member of the Executive Board may be granted the right to terminate the Executive Board service contract and to resign from office at the time of termination. The Executive Board member may be granted a claim to payment of a severance payment amounting to 75% of the sum of (i) the annual gross income agreed at the time of termination of the contract in the form of the annual basic salary and (ii) the bonus determined for the year of termination of the contract in the event that the special right of termination is exercised. For the purpose of the bonus calculation, in this case a 100 per cent target achievement can in principle be assumed for the initial year and exclusively based on this initial year. However, any waiting allowance shall be taken into account.

4.2. Post-contractual non-competition clause

A post-contractual non-competition clause applies to members of the Executive Board of KPS AG. According to this, the respective Executive Board member is contractually prohibited from working for a competing company or engaging in competitive activities for a period of one year after termination of the employment relationship. Similarly, the Executive Board member is not permitted to establish, acquire or directly or indirectly participate in such a company during this period.

For the duration of the post-contractual non-competition clause, the Company undertakes to pay the Executive Board member a cooling-off allowance amounting to 100 per cent of the fixed gross monthly salary for each month of the ban. Payment of the compensation is due at the end of each month. Other payments made by the company to the member of the executive board, such as transitional allowances and severance payments, shall be offset against the waiting allowance.

Any income that the Executive Board member earns or fails to earn from self-employed, employed or other gainful employment during the term of the post-contractual non-competition clause shall be offset against the compensation, provided that the compensation, including the income, exceeds the amount of the most recent benefits received.

The Company may waive the non-competition clause both prior to the termination of the employment contract and thereafter by written declaration to the Executive Board member.

5. Further contractual regulations

5.1. Loans to members of the Board of Directors

In the 2021/2022 business year, the company did not grant any advances or loans to members of the Executive Board. There are also no loans or advances to members of the Executive Board from previous years.

5.2. Remuneration of group companies

No remuneration was paid to the Executive Board by Group companies in the 2021/2022 financial year.

6. Individual disclosure of the remuneration of the Executive Board

The following tables contain the monetary disclosures for the components of Executive Board remuneration for the financial years 2021/2022 and 2020/2021 shown on the previous pages. The disclosures in accordance with §314 HGB are shown in the "Inflow" tables.

The individualised disclosure of the remuneration amounts is based on the model tables "Grants" and "Inflows" in the version of the GCGC of 7 February 2017 in order to ensure a transparent presentation of the respective grants and inflows for the financial years 2021/22 and 2020/2021.

Overview of the grants awarded

	I	II	III	IV	V	VI
a	Leonardo Musso					
b	Board of Directors KPS AG					
c	Start of employment: 01.11.2008					
d	2021 in EUR	2021 in %	2022 in EUR	n in %	n (min)	n (Max)
1	Basic salary	300.000	52,0%	300.000	44,1%	
2	Ancillary services	60.984	10,6%	62.328	9,2%	
3	Total	360.984	62,6%	362.328	53,3%	
4	One-year variable remuneration	0	0,0%	210.000	30,9%	
5	Multi-year variable remuneration	0	0,0%	0	0,0%	
5a	Plan 2020/2021, term until 30.09.2023	216.000	37,4%	-216.000	-31,7%	
5b	Plan 2021/2022, term until 30.09.2024	0	0,0%	324.000	47,6%	
6	Total	216.000	37,4%	318.000	46,7%	
7	Supply expenses	0	0,0%	0	0,0%	
8	Total remuneration	576.984	100,0%	680.328	100,0%	0 900.000

Overview of the tributaries

	I	II	III	IV	V	VI
a	Leonardo Musso					
b	Board of Directors KPS AG					
c	Start of employment: 01.11.2008					
d	2021 in EUR	2021 in %	2022 in EUR	n in %	n (min)	n (Max)
1	Basic salary	300.000	83,1%	300.000	61,4%	
2	Ancillary services	60.984	16,9%	62.328	12,8%	
3	Total	360.984	100,0%	362.328	74,2%	
4	One-year variable remuneration	0	0,0%	126.000	25,8%	
5	Multi-year variable remuneration	0	0,0%	0	0,0%	
5a	Plan 2020/2021, term until 30.09.2023	0	0,0%	0	0,0%	
5b	Plan 2021/2022, term until 30.09.2024	0	0,0%	0	0,0%	
6	Total	0	0,0%	126.000	25,8%	
7	Supply expenses	0	0,0%	0	0,0%	
8	Total remuneration	360.984	100,0%	488.328	100,0%	0 900.000

Explanations:

- a) Name of the Board Member
- b) Function of the board member, e.g. chairman of the board, chief financial officer
- c) Date of entry/exit of the Executive Board member, provided that in the financial year under consideration n (reporting year) or n-1
- d) Business year under consideration n (reporting year) or n-1
- i. Grants awarded in the previous financial year n-1 in EUR
- ii. Allowances granted in the previous financial year as % of total remuneration
- iii. Grants awarded in the current financial year (reporting year) in EUR
- iv. Allowances granted in the current financial year as % of total remuneration
- v. Achievable minimum value of the respective remuneration component granted in the financial year n (reporting year), e.g. zero
- vi. Achievable maximum value of the respective remuneration component granted in the financial year n (reporting year)
1. Fixed remuneration components, e.g. fixed salary, fixed annual one-off payments (amounts correspond to amounts in table "Inflow"); values in columns II, III and IV are identical
2. Fixed remuneration components, e.g. remuneration in kind and fringe benefits (amounts correspond to amounts in the table "Inflow"); values in columns II, III and IV are identical
3. Sum of fixed remuneration components (1 + 2) (amounts correspond to amounts in the table "Inflow"); values in columns II, III and IV are identical
4. One-year variable remuneration, e.g. bonus, management bonus, Short-Term Incentive (STI), profit sharing, without consideration of deferrals
5. Multi-year variable remuneration (sum of lines 5a-...), e.g. multi-year bonus, deferral from one-year variable remuneration (deferral), long-term incentive (LTI), subscription rights, other share-based payments
- 5a. Multi-year variable remuneration, breakdown by plan, stating the term
6. Sum of fixed and variable remuneration components (1 + 2 + 4 + 5)
7. Service cost in accordance with IAS 19 from commitments for pensions and other benefits (amounts correspond to amounts of the table "Inflow"); values in columns II, III and IV are identical
8. Total fixed and variable remuneration components and pension expenses (1 + 2 + 4 + 5 + 7)

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162 (3) OF THE AKTG. 3 AKTG

To KPS AG, Munich

Audit opinion

We have formally audited the remuneration report of KPS AG for the financial year from 1 October 2021 to 30 September 2022 to determine whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosures required by section 162 (1) and (2) of the AktG. Our audit opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with section 162 (3) AktG and IDW Auditing Standard: The audit of the remuneration report in accordance with section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under that provision and standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1). We have complied with the professional duties pursuant to the Auditors' Code and the Professional Statutes for Auditors / Sworn Auditors including the requirements for independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of § 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG have been made in all material respects in the remuneration report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, we did not audit the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Dealing with any misleading representations

In connection with our audit, we have a responsibility to read the remuneration report, taking into account the knowledge gained from the audit of the financial statements, and to remain alert for indications as to whether the remuneration report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that such misleading representation exists, we are required to report that fact. We have nothing to report in this regard.

Munich, 13 January 2023

Baker Tilly GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Hund
German Public Auditor

Weilandt
German Public Auditor