

Compensation report

Compensation policy

The Supervisory Board of MLP SE has approved the following compensation policy for members of the MLP SE Executive Board.

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 takes the form of an EBIT-based profit-sharing payment.

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

The ratio between fixed and variable compensation on the reporting date of December 31, 2018 is shown in the table below:

Executive Board member	Proportion of fixed component	Proportion of variable component
Dr. Uwe Schroeder-Wildberg	55.16%	44.84%
Manfred Bauer	55.05%	44.95%
Reinhard Loose	54.56%	45.55%

Please refer to the compensation report in the Annual Report for details.

The key strategic objective is to bring about profitable growth. Profitability, which essentially results from the correlation of revenue and expenses, is reflected in EBIT – and EBIT-based variable compensation is therefore a suitable measure for supporting this strategy. Splitting the variable compensation into immediate and deferred payments gives variable compensation a multi-year basis for assessment. This ensures that the 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 individual members of the Executive Board. The Supervisory Board, however, 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 operating results that cannot be attributed to the members of the Executive Board within a contractually stipulated framework.

A contractual arrangement on recovering variable portions of compensation already paid out that goes beyond the legal regulations is not considered necessary, and is therefore also not currently agreed with the members of the Executive Board.

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. Care is taken to ensure that the compensation of Executive Board members is at an appropriate level relative to the compensation of the workforce.

The compensation policy is specified by the Supervisory Board and endorsed by the Annual General Meeting. The Supervisory Board reviews the compensation policy annually, and puts any significant revisions to the Annual General Meeting for its endorsement.

The effective compensation system provides for a fixed basic annual salary plus variable compensation in the form of a bonus (see table). The basic figure for the bonus payment is determined on the basis of the income statement of the MLP Group in accordance with the (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 this assessment. The key figure is therefore the earnings before taxes (EBT) that would result without the 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 EBITs 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 compensation

45% of the bonus thus calculated is paid as an immediate payment following presentation of the Company's adopted financial statements, and 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. The level of deferred payment effectively to be made to members of the Executive Board is also subject to upwards or downwards adjustment, based on the ratio of the average EBIT recorded in the base year and the three subsequent years to the EBIT in the base year.

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 member of the Executive Board or extraordinary developments.

In addition, the service contract provides for a cap of the immediate payment and the deferred payment in euros. 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 compensation system, members of the Executive Board are entitled to the 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 retirement pension on reaching the age of 62, a disability pension, a widow's pension and orphans' benefits are 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 is 60% of the contractually agreed retirement or disability pension. 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 orphans' benefits of all entitled persons together must not exceed 100% of the old-age pension. Executive Board members Manfred Bauer and Reinhard Loose, however, receive employer-financed defined contribution benefits in an occupational pension scheme.

The service contracts of all members of the Group Executive Board include 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 to changes in the Company's corporate form, outsourcings in line with § 123 (3) of the German Reorganisation of Companies Act or 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 these conditions he is entitled to compensation of no more than two annual salaries, on condition that the termination takes place more than two years before the end of his contract. After that the regulations apply pro rata temporis.

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 within the meaning of § 5 of the Ordinance on the Supervisory Requirements for Institutions' Compensation Systems (InstitutsVergV), the Supervisory Board is entitled to reduce the benefits to which the member is entitled at its discretion when the member resigns from his position voluntarily.
- The members of the Executive Board undertake not to engage in any personal hedging or other counter-measures as a way of eliminating or even limiting 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.

In accordance with the recommendation of the German Corporate Governance Code, individualised Executive Board compensation is disclosed on the basis of the specimen tables provided as appendices to the Code.

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

Allocation	Dr. Uwe Schroeder-Wildberg		Reinhard Loose		Manfred Bauer		Muhyddin Suleiman	
	Chief Executive Officer		Chief Financial Officer		Member of the Board for Products and Services		Member of the Board for Sales	
	since Jan 1, 2003		since Feb 1, 2011		since May 1, 2010		until March 31, 2014	
All figures in €'000	2017	2018	2017	2018	2017	2018	2017	2018
Fixed compensation	550	550	360	360	360	360	0	0
Fringe benefits	31	33	17	17	27	27	0	0
Total fixed compensation	581	583	377	377	387	387	0	0
One-year variable compensation	130	243	86	162	86	162	0	0
Multi-year variable compensation	229	231	134	152	153	154	153	0
2013 bonus (2013-2016)	229	0	134	0	153	0	153	0
2014 bonus (2014-2017)	0	231	0	152	0	154	0	0
Other	0	0	0	0	0	0	0	0
Total fixed and variable compensation	940	1,057	597	692	626	703	153	0
Pension benefits	266	261	140	140	150	150	0	0
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,206	1,318	737	832	776	853	153	0

Granted benefits

Benefits granted	Dr. Uwe Schroeder-Wildberg				Reinhard Loose			
	Chief Executive Officer				Chief Financial Officer			
	since Jan 1, 2003				since Feb 1, 2011			
	All figures in €'000	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	31	33	33	33	17	17	17	17
Total fixed compensation	581	583	583	583	377	377	377	377
One-year variable compensation	244	296	207	384	163	197	138	256
Multi-year variable compensation	367	421	0	990	244	281	0	660
2017 bonus (2017-2020)	367	0	0	0	244	0	0	0
2018 bonus (2018-2021)	0	421	0	990	0	281	0	660
Total fixed and variable compensation	1,192	1,299	790	1,957	784	855	515	1,293
Pension benefits	266	261	261	261	140	140	140	140
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,458	1,560	1,051	2,218	924	995	655	1,433

Benefits granted	Manfred Bauer			
	Member of the Board for Products and Services			
	since May 1, 2010			
	All figures in €'000	2017	2018	2018 (min.)
Fixed compensation	360	360	360	360
Fringe benefits	27	27	27	27
Total fixed compensation	387	387	387	387
One-year variable compensation	163	197	138	256
Multi-year variable compensation	244	281	0	660
Bonus 2017 (2017-2020)	244	0	0	0
Bonus 2018 (2018-2021)	0	281	0	660
Total fixed and variable compensation	794	865	525	1,303
Pension benefits	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	944	1,015	675	1,453

As of December 31, 2018 pension provisions of € 17.1 million (€ 16.9 million) were in place for former members of the Executive Board.

Compensation of the members of the Supervisory Board

In addition to compensation for their expenses for the financial year, members of the Supervisory Board receive fixed annual compensation of € 40,000 in accordance with the Articles of Association. The Chairman of the Supervisory Board receives twice this amount, his deputy one-and-a-half times. Special additional compensation is paid for work on the Audit Committee and the Personnel Committee: € 25,000 for the Audit Committee and € 15,000 for the Personnel Committee. The chairmen of the committees receive 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

All figures in €'000 (without tax)	Compensation 2018	Compensation 2017 (I)**	Compensation 2017 (II)*
Dr. Peter Lütke-Bornefeld (Chairman)	135	98	37
Dr. h. c. Manfred Lautenschläger***	45	72	28
Dr. Claus-Michael Dill (Vice Chairman****)	101	65	25
Tina Müller	55	40	15
Matthias Lautenschläger*****	44	-	-
Burkhard Schlingermann	55	40	15
Alexander Beer	65	47	18
Total	500	362	138

*until September 21, 2017 for MLP AG
 **from September 21, 2017 for MLP SE (see details below)
 *** until June 14, 2018, until which time also Vice Chairman
 **** as of June 14, 2018 Vice Chairman
 ***** as of June 14, 2018

The term of office of the members of the Supervisory Board of MLP AG ended when the change in corporate form from MLP AG to MLP SE came into force on September 21, 2017. The term of office of all members of the first Supervisory Board of MLP SE ended with the conclusion of the Annual General Meeting on June 14, 2018. Pursuant to § 113 (2) of the German Stock Corporation Act (AktG) the compensation for members of the first Supervisory Board can only be approved by the Annual General Meeting. The resolution could only be passed in the Annual General Meeting that formally ratifies the actions of the members of the first Supervisory Board. This was the Annual General Meeting on June 14, 2018.

In the financial year 2018 € 20 thousand (previous year: € 18 thousand) was paid as compensation for expenses.