

Compensation report

Compensation policy

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

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 ratio between fixed and variable compensation on the reporting date of December 31, 2019 is shown in the table below:

Executive Board member	Proportion of fixed components	Proportion of variable components
Dr. Uwe Schroeder-Wildberg	47.06%	52.94%
Manfred Bauer	47.23%	52.77%
Reinhard Loose	46.40%	53.60%

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

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 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.

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. Attention is paid to ensure that the compensation of Executive Board members is at an appropriate ratio relative to the compensation of the workforce.

The compensation policy is specified by the Supervisory Board and was endorsed by the shareholders in the course of the Annual General Meeting in 2019. The Supervisory Board reviews the compensation policy annually and has it endorsed by the Annual General Meeting in the event of any significant revisions.

Executive Board compensation

The current compensation system provides for a fixed basic annual salary and also variable compensation (in the form of a 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 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 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 right of adjustment, 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 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, 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, outsourcings 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' Compensation 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 counter-measures 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.

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 (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 Jan 1, 2003		since Feb 1, 2011		since May 1, 2010	
	2018	2019	2018	2019	2018	2019
Fixed compensation	550	550	360	360	360	360
Fringe benefits	33	34	17	20	27	32
Total fixed compensation	583	584	377	380	387	392
One-year variable compensation	243	384	162	256	162	256
Multi-year compensation	231	273	152	182	154	182
2014 bonus (2014-2017)	231	0	152	0	154	0
2015 bonus (2015-2018)	0	273	0	182	0	182
Other	0	0	0	0	0	0
Total fixed and variable compensation	1,057	1,241	692	819	703	830
Pension benefits	261	267	140	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,318	1,508	832	969	853	980

Granted benefits

Benefits granted (all figures in €'000)	Dr. Uwe Schroeder- Wildberg				Reinhard Loose			
	Chief Executive Officer				Chief Financial Officer			
	since Jan 1, 2003				since Feb 1, 2011			
	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	550	550	550	550	360	360	360	360
Fringe benefits	33	34	34	34	17	20	20	20
Total fixed compensation	583	584	584	584	377	380	380	380
One-year variable compensation	296	304	213	396	197	203	142	264
Multi-year compensation	421	512	0	990	281	341	0	660
2018 bonus (2018-2021)	421	0	0	0	281	0	0	0
2019 bonus (2019-2022)	0	512	0	990	0	341	0	660
Total fixed and variable compensation	1,299	1,400	797	1,970	855	925	522	1,304
Pension benefits	261	267	267	267	140	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,560	1,668	1,064	2,237	995	1,075	672	1,454

Benefits granted (all figures in €'000)	Manfred Bauer			
	Member of the Board for Products and Services			
	since May 1, 2010			
	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	360	360	360	360
Fringe benefits	27	32	32	32
Total fixed compensation	387	392	392	392
One-year variable compensation	197	203	142	264
Multi-year compensation	281	341	0	660
2018 bonus (2018-2021)	281	0	0	0
2019 bonus (2019-2022)	0	341	0	660
Total fixed and variable compensation	865	936	533	1,315
Pension benefits	150	150	150	150
Total compensation (in accordance with the German Corporate Governance Code (DCGK))	1,015	1,086	683	1,465

As of December 31, 2019 pension provisions of € 20.3 million (€ 17.1 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, 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 and his deputy one and a half times this amount. 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

All figures in €'000 (without tax)	Compensation 2019	Compensation 2018***
Dr. Peter Lütke-Bornefeld (Chairman)	135	135
Dr. h. c. Manfred Lautenschläger*	-	45
Dr. Claus-Michael Dill (Vice Chairman**)	110	101
Tina Müller	55	55
Matthias Lautenschläger***	80	44
Burkhard Schlingermann	55	55
Alexander Beer	65	65
Total	500	500

* until June 14, 2018, until which time also Vice Chairman
** as of June 14, 2018 Vice Chairman
*** as of June 14, 2018

In the financial year 2019 € 17 thsd (previous year: € 20 thsd) was paid as compensation for expenses.