

# Remuneration Report

2022



# CONTENTS

## **Remuneration report pursuant to section 162 of the German Stock Corporation Act (AktG) for the 2022 financial year**

Review of the 2022 financial year	1
1. Remuneration of the members of the Management Board	2
2. Remuneration of the members of the Supervisory Board	10
3. Comparative presentation of the development of earnings and annual change in remuneration	12
4. Miscellaneous	13
5. Independent auditor's assurance report	13
<b>Contact/publication details</b>	<b>15</b>

# REMUNERATION REPORT PURSUANT TO SECTION 162 AKTG FOR THE 2022 FINANCIAL YEAR

The remuneration report clearly and comprehensibly presents and explains the remuneration granted and owed individually to the members of KAP AG's Management Board and of its Supervisory Board in the 2022 financial year (1 January 2022 to 31 December 2022). The report complies with the requirements of the German Stock Corporation Act (AktG). Detailed information on the remuneration systems for the members of the Management Board and Supervisory Board of KAP AG is available on the Company's website at [www.kap.de/en/investor-relations/general-meeting/agenda-documents](http://www.kap.de/en/investor-relations/general-meeting/agenda-documents).

Due to rounding differences, it is possible that individual figures in this report do not exactly add up to the reported totals and that the reported percentage figures do not exactly reflect the related absolute figures.

## REVIEW OF THE 2022 FINANCIAL YEAR

The KAP Group's business developed very favourably in terms of revenue, driven in part by price increases. However, it was not always possible to pass on to customers the full amount of cost increases for energy and materials. This and disruptions to supply chains, particularly on the customer side, had a negative impact on earnings in the financial year. As a result, KAP generated consolidated revenue of €433.5 million, up 25.4% year on year (previous year: €345.6 million). Excluding the contribution to revenue of €48.0 million from the acquisition of Haogenplast, this corresponds to organic revenue growth of around 11.5%. Normalised EBITDA rose slightly by 2.6% to €35.9 million (previous year: €35.0 million). The KAP Group thus reached the full-year forecast for consolidated revenue issued as guidance in April 2022, which was significantly above the previous year's level. The same applies to the achievement of the normalised EBITDA target, which was expected to be slightly higher than in the previous year. We are satisfied overall with this business performance in line with our forecast for the full year and in view of the notably difficult conditions.

## HOW THE CORPORATE STRATEGY IS REFLECTED IN THE REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of members of the Management Board is linked to the business strategy and the corporate planning developed on this basis. On the one hand, the remuneration is performance-related to a considerable extent and linked to targets derived from the business strategy or the underlying corporate planning. On the other hand, a significant proportion of the performance-related remuneration is granted in the form of virtual shares. The current business strategy and the current corporate planning aim to generate long-term profitable growth. By granting them virtual shares, the members of the Management Board are to be given the opportunity to participate in successful implementation of the strategy. The remuneration system thus supports the business strategy and the Company's long-term development.

### Performance in the 2022 financial year

2022 was a challenging year for the KAP Group. A year full of change and uncertainties, but also a year of further strategic development. In fact, the KAP Group was able to bring many issues to a successful close in 2022. These include:

- Successful completion of the acquisition and integration of Haogenplast, Israel, to strengthen vinyl expertise in the flexible films segment
- Early refinancing of the syndicated loan
- Adoption and publication of the 2025 ESG Strategy
- Joining the UN Global Compact
- Streamlining of organisational structures in the precision components and surface technologies segments
- Preparation for a review of the segment portfolio

In line with the principle enshrined in the remuneration system that outstanding performance should be rewarded appropriately and that failed targets should lead to a noticeable reduction in remuneration (“pay for performance”), the performance of the 2022 financial year is reflected in the Management Board’s variable remuneration. Consequently, the remuneration of the members of the Management Board is also aligned with the interests of the shareholders and other stakeholders of KAP AG.

## 1. REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

### 1.1 OVERVIEW OF THE REMUNERATION SYSTEM

The current remuneration system for members of KAP AG’s Management Board came into effect in the 2022 financial year and was approved at the Annual General Meeting on 31 August 2022.

There are no employment contracts between KAP AG and the current members of the Management Board. Rather, the two current members of the Management Board are at the same time managing directors of CSP Diamant Administration GmbH (CSP). They each have a managing director service agreement in place with CSP, and KAP AG is party to these agreements, together with the respective member of the Management Board and CSP. The remuneration to be paid by CSP under the managing director service agreement at the same time constitutes the Management Board remuneration and is subsequently invoiced to KAP AG by CSP. The remuneration system applies irrespective of whether the Management Board remuneration is paid by CSP or any other third party or directly by KAP AG. In the reporting year, the members of the Management Board received the following remuneration in full from CSP.

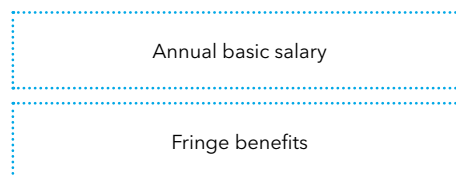
The Supervisory Board reviews the remuneration of the members of the Management Board and the corresponding remuneration system at least once a year at its meeting to discuss the financial statements. In this context, it reviews in particular the reasonableness of the total remuneration granted to the individual members of the Management Board. If necessary, the Supervisory Board adjusts the remuneration system and submits the adjusted system to the next Annual General Meeting for approval.

### (a) Components of the Management Board’s remuneration

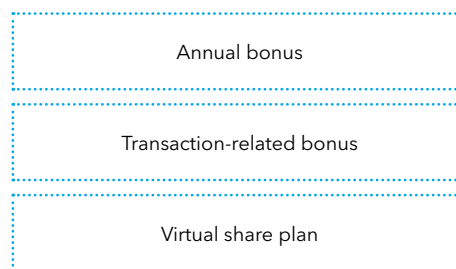
The Management Board’s remuneration comprises non-performance-related and performance-related components. The non-performance-related remuneration includes the annual basic salary and fringe benefits. The performance-related remuneration comprises a short-term variable remuneration component, the annual bonus and a potential transaction-related bonus, and a long-term variable remuneration component, namely the virtual share plan.

The following overview provides a summary of the basic components of the remuneration system for members of the Management Board.

#### Non-performance-related remuneration components



#### Performance-related remuneration



### (b) Non-performance-related remuneration

#### (i) Annual basic salary

Members of the Management Board receive an annual basic salary that is paid out in twelve equal monthly instalments.

#### (ii) Fringe benefits

The annual basic salary is complemented by the following contractually guaranteed fringe benefits:

Members of the Management Board are entitled to a company car that may also be used for private purposes. They may instead opt to receive a monthly lump-sum payment of €1,000.00 (gross).

Where members of the Management Board receive their remuneration under a managing director service agreement with CSP or a third party, their employee contribution to social security will be reimbursed if it is payable on the grounds of their employment as managing director of CSP or a third party and would not be payable if they were only a member of the Management Board of KAP AG and only had a management board member service agreement with KAP AG. Such reimbursement is made on a net basis, i.e. income tax payable on such reimbursement is also reimbursed.

Accident insurance is taken out for members of the Management Board and also covers accidents that occur outside of their contractual activities. The insurance contributions are assumed on behalf of the members of the Management Board.

The value of all fringe benefits granted in a single financial year cannot exceed 20% of the annual basic salary for that financial year.

**(iii) Pension commitments**

No old-age pension commitments have been made.

**(c) Performance-related remuneration**

**(i) Annual bonus**

The annual bonus is a short-term, performance-related remuneration component for a single year which is granted annually.

**Annual bonus**

$$\begin{array}{rcl}
 \text{Target} & \times & \text{Total target achievement level} \\
 \text{bonus} & & \text{(max. 200\%)} \\
 & & = \\
 & & \text{Payout amount} \\
 & & \text{(cash or, if applicable, up to 50\% in shares)}
 \end{array}$$

**Structure**

The annual bonus is granted in the form of a target amount defined in the service agreement (target bonus), which is paid out at 100% if target achievement for all targets for the respective financial year in total, taking their respective weighting into account, (total target achievement level) is 100%. As a rule, the targets are defined on an annual basis at the latest one month after

the annual financial statements for the previous year have been approved and after being discussed with the member of the Management Board. Targets may be defined at a later point in the financial year if a member is appointed to the Management Board during the course of a financial year or for other justified reasons.

After the close of the respective financial year, the extent to which the member of the Management Board has achieved the targets agreed for that financial year is reviewed and the resulting bonus amount is calculated. The bonus thus determined is payable one month after the annual financial statements for the respective financial year have been approved.

Both financial and non-financial targets are defined. The financial targets are attributed a total weighting of up to 75% and the non-financial targets a weighting of at least 25%. Target achievement can range between 0% and 200% in each case. In this context, a target achievement corridor is defined for each target in addition to the target value representing 100% target achievement. The lower value in the corridor is defined as the value below which the target achievement level is 0% and the upper value is the value as of which the target achievement level is 200% (cap). The interim values are calculated by way of linear interpolation. The total target achievement level is calculated in line with the correspondingly weighted target achievement levels for the individual targets.

The performance criteria used for the financial targets are normalised group EBITDA, which is adjusted to account for special items, and the consolidated cash flows from operating activities. The target values that represent 100% target achievement are derived from the annual planning for the relevant financial year which in turn is derived from long-term planning, which itself is based on the business strategy. The values from the consolidated financial statements for the relevant financial year are taken as a basis in order to determine the target achievement level.

Qualitative targets which constitute specific steps towards implementing the business strategy and are derived from the business plans are defined as non-financial targets. These concern structural measures or significant projects which serve to align the KAP Group's structures with the planned growth or to drive the growth as planned, including in particular

measures and projects for implementing the strategic improvement initiatives. For individual non-financial targets, the Supervisory Board defines milestones (degree of implementation at particular points over time), taking the corporate planning into account. The level of target achievement is determined on the basis of these milestones, which are translated into numeric values for this purpose.

The specific weighting of the individual targets is determined at the latest when the targets are defined.

**Share-based payment option**

An agreement may be reached to the effect that, where possible, up to 50% of the gross payout amount for the annual bonus is paid in the form of KAP shares (share portion). The member of the Management Board can dispose of the granted KAP shares with immediate effect. The number of KAP shares to be granted in this context is determined by dividing the corresponding portion of the gross payout amount by the unweighted average of closing prices for KAP shares in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the past 20 trading days prior to adoption of the annual financial statements for the respective financial year. Insofar as taxes or social security contributions are required to be withheld on the share portion, the number of shares granted is reduced by the amount required to be withheld. Should it prove impossible to grant KAP shares despite reasonable efforts, the due date is postponed by one month. If the share portion then still cannot be granted in the form of KAP shares, the (full) share portion can also be paid out in cash. The further details relating to the structure of the share portion and supplementary provisions are set out in the service agreement and any other agreements concluded with the member of the Management Board.

**Supporting the business strategy and the Company's long-term development**

The performance criteria selected for the financial targets are key performance indicators for the Company. They represent important indicators of how successfully the business strategy has been implemented. The non-financial targets represent important steps towards implementing the business strategy and thus directly support the business strategy and the Company's long-term development.

In being granted KAP shares, members of the Management Board can participate in the successful implementation of a business strategy designed to generate long-term profitable growth. Here, too, the intention is that they thus support the business strategy and the Company's long-term development.

**(ii) Transaction-related bonus**

The transaction-related bonus is a short-term performance-related remuneration component.

**Structure**

**Transaction-related bonus**

$$\begin{array}{rcc}
 \text{Annual basic} & \times & \text{Annual bonus for 100\%} \\
 \text{salary} & & \text{target achievement} \\
 & & = \\
 & & \text{Payout amount} \\
 & & \text{(max. 200\%)}
 \end{array}$$

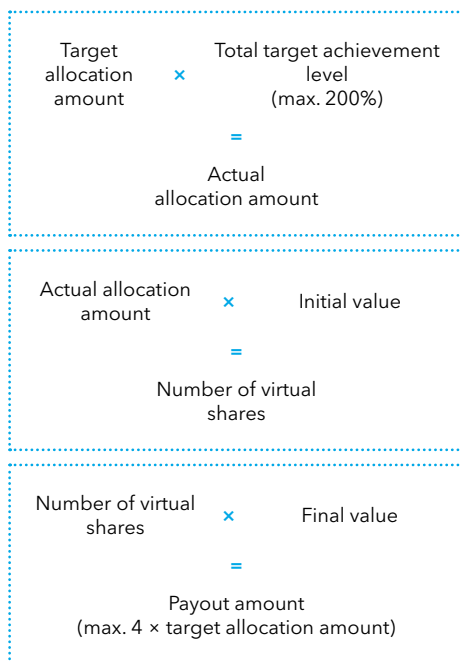
The target amount in case of a target achievement level of 100% for the transaction-related bonus is intended to be 100% of the sum of the annual basic salary and the annual bonus (in case of a target achievement level of 100%), and the maximum amount of this special bonus is to be capped at 200% of this sum.

The transaction-related bonus is intended to enable the Company and major shareholders to agree with the members of the Management Board on the payment of a volume-based and performance-related special bonus in the event of the execution of one or several extraordinary transactions. Upon completion of such a transaction, it is established to what extent the member of the Management Board has reached the targets set for the relevant transaction and what the resulting actual bonus amount is.

**(iii) Virtual share plan**

The virtual share plan is a long-term performance-related remuneration component spanning several years, which is granted on an annual basis and under which a certain number of virtual shares is allocated after the end of a financial year depending on whether certain targets for that financial year were achieved.

**Virtual share plan**



**Allocating virtual shares**

The virtual share plan is granted in the form of a target allocation amount specified in the service agreement (target allocation amount) which is converted 100% into virtual shares if the total target achievement level for the respective financial year is 100%. The targets and their weighting, as well as determination of the total target achievement level, including the cap, correspond to those for the annual bonus.

After the close of the respective financial year, the extent to which the member of the Management Board has achieved the targets agreed for that financial year is reviewed and the resulting actual allocation amount calculated. The number of virtual shares is determined by dividing the actual allocation amount by an average price of the KAP share prior to allocation (initial value). The initial value is the unweighted average of the closing prices of the KAP share in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the entire financial year in question or, where the agreement commenced during the course of the year, in the period from the commencement date of the agreement to the end of the respective financial year. It may be agreed that the initial value is to be replaced by another average price or another calculation, provided the relevant period is at least one month.

The virtual shares are allocated once the annual financial statements for the relevant financial year have been approved.

**Structure of virtual shares**

The virtual shares have a term of four full years. Their term begins upon allocation of the virtual shares, and at the latest one month after the annual financial statements for the respective financial year were approved. It may be agreed that the term is to begin with retroactive effect, specifically either at the end of the day on which the annual financial statements for the respective year were approved or from the beginning of the financial year following the respective financial year for which the virtual shares were allocated.

After the four-year term has expired, the member of the Management Board receives payment of an amount per virtual share for the relevant virtual shares, with the amount calculated as follows: The payout amount is equal to the unweighted average of the closing prices for the KAP share in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the last 30 trading days of the four-year term plus an amount taking into account the dividends paid by KAP AG on KAP shares over the term and other payments, as well as any subscription rights granted (final value). In respect of the value of the additional amount, the member of the Management Board is placed in a position as if:

- the dividends or other payments on a KAP share, in each case on their due date,
- the subscription rights had been disposed of in each case on the first trading day in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange after being granted and, on the same day, the proceeds of such disposal had been invested on the same day in KAP shares or fractions thereof at the closing price of the KAP share in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange and these shares in turn had been disposed of at their final value (with the relevant term only beginning upon the respective investment being made).

In the event of a capital increase from company funds, a reverse stock split, a stock split, a capital reduction with the number of shares being reduced or any other corporate action or structural measure and in the event

of a dividend payment or distribution with an effect similar to any of the above measures, an adjustment is performed in order to ensure that such measure does not lead to a dilution or increase in profits for the member of the Management Board.

The payout amount for all virtual shares granted for a financial year must not exceed four times the target allocation amount (cap), however. Moreover, a possibility for limiting the payout amount resulting from the virtual shares in case of exceptional developments may be agreed.

Payments on the basis of the virtual share plan are made within 30 calendar days after the end of the term of the relevant virtual shares.

The further details relating to the structure of the virtual shares and supplementary provisions are set out in the service agreement and any other agreements concluded with the member of the Management Board.

**Supporting the business strategy and the Company's long-term development**

The number of virtual shares depends on the degree to which financial and non-financial targets are achieved. In this context, the performance criteria selected for the financial targets are key performance indicators for the Company as a whole. They represent important indicators of how successfully the business strategy has been implemented. The non-financial targets represent important steps towards implementing the business strategy and thus directly support the business strategy and the Company's long-term development.

In being allocated virtual shares, members of the Management Board can participate in the successful implementation of the business strategy designed to generate long-term profitable growth. The intention is that they thus support the business strategy and the Company's long-term development.

**(d) Structural framework**

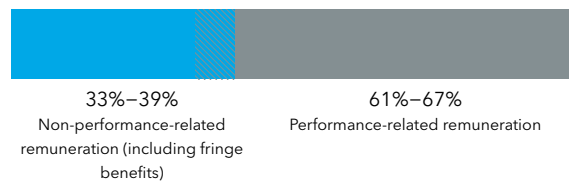
The portion of the total remuneration (excluding fringe benefits) represented by the annual basic salary, the annual bonus, the transaction-related bonus and the virtual share plan must fall within the following corridors,

with the annual bonus and the transaction-related bonus applied at 100% of the target bonus and the virtual share plan at 100% of the target allocation amount:

– Annual basic salary:	33% to 34%
– Annual bonus:	9% to 11%
– Transaction-related bonus:	43% to 45%
– Virtual share plan:	11% to 12%

The maximum volume of fringe benefits is specified as a percentage of the annual basic salary and is thus dependent on the corridors defined above for the annual basic salary.

**Share of target total remuneration**



**(e) Target and maximum remuneration**

The target total remuneration is the value paid to a member of the Management Board for a full financial year if target achievement for all performance-related remuneration components is 100%. In this context, the annual bonus is applied at 100% of the target bonus, the transaction-related bonus is applied at 100% of the sum of the annual basic salary and the annual bonus, and the virtual share plan is applied at 100% of the target allocation amount. The remuneration system permits a target total remuneration of up to €1,025,000.00 for the individual members of the Management Board.

The maximum remuneration is the maximum value that may be paid to a member of the Management Board in total for a financial year. The maximum remuneration for the individual members of the Management Board is €2,500,000.00 for the spokesperson and/or the chair of the Management Board and €2,450,000.00 for a regular member of the Management Board.



**(f) Defining the specific remuneration for individual members of the Management Board**

The flexibility offered by this remuneration system is only utilised to the extent that is appropriate in view of the respective prevailing circumstances.

First, the specific target total remuneration is defined and then the remuneration structure for the individual member of the Management Board. The calculation is based on the specific target remuneration amounts, or their corridors and remuneration structures existing at the time the relevant amount is defined for the respective members of KAP AG's Management Board in office at this time. Upon definition of this remuneration system, these amounts are as follows (in each case in euros):

<b>Target total remuneration (excl. fringe benefits)</b>	
thereof:	900,000.00–1,025,000.00
1. Annual basic salary	300,000.00–350,000.00
2. Annual bonus (100% target bonus)	100,000.00
3. Transaction-related bonus (100% target bonus)	400,000.00–450,000.00
4. Virtual share plan (100% target allocation amount)	100,000.00–125,000.00

When determining new specific target total remuneration amounts in the future it is possible to deviate from the values or corridors specified in the table above in the context of this remuneration system if this appears necessary in order to take reasonable account of the duties conferred on the member of the Management Board, their experience and past performance, as well as prevailing market conditions. This is conditional upon the remuneration also being reasonable in the context of the Company's current situation and not exceeding the standard remuneration amount without a specific reason. In order to ascertain whether the remuneration may be deemed reasonable within the KAP Group (vertical comparison), the remuneration granted to members of the Management Board is compared with the pay granted to executives and with the aggregate pay granted to executives and non-executive employees, including how these comparisons develop over time. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

The chair or spokesperson of the Management Board receives higher remuneration than the other members of the Management Board. When defining the remuneration structure, the following principles should be observed: The target allocation amount for the virtual share plan should exceed the target bonus for the annual bonus. The target bonus for the annual bonus should not exceed one-third of the annual basic salary. The target bonus for the transaction-related bonus should not exceed the sum of the target bonus for the annual bonus and the annual basic salary.

**(g) Specific contractual provisions**

**(i) Penalty and clawback**

Any amounts paid out under the annual bonus, including any share-based portion, and amounts paid out under the transaction-related bonus may be reclaimed and payments from virtual shares allocated in the context of the virtual share plan may be refused if it subsequently emerges that all or part of the payment or allocation was made erroneously because targets were in fact not achieved or not achieved to the extent assumed on the basis of false information when the payout amount or the number of virtual shares to be allocated was calculated. In such case, the member of the Management Board is, in particular, obliged to pay back the net amount by which the payment made under the annual bonus exceeds the payout amount which would have been determined if the actual target values had been taken into account. The scope of this clawback claim is defined in section 818 of the German Civil Code (BGB). The clawback claim becomes time-barred once three years have elapsed since the annual bonus was paid out. The same applies to the transaction-related bonus.

Provisions may be agreed with the members of the Management Board specifying that in the event that the member of the Management Board commits a serious breach of their statutory duties or the Company's internal code of conduct, the variable remuneration paid for the financial year in which such breach was committed may be reclaimed in whole or in part from the member of the Management Board and any payments for this period under allocated virtual shares that have not yet been made may be refused.

Moreover, provisions may be agreed with the members of the Management Board specifying that payments under the annual bonus or the transaction-related bonus

may be reclaimed in whole or in part and payments of virtual shares allocated under the virtual share plan may be refused in the event that the target achievement defined by the Supervisory Board for payment or allocation proves not sustainable for subsequent years.

In addition, forfeiture provisions apply in respect of the virtual share plan, including in the event that the service agreement is terminated for good cause within the meaning of section 626 (1) BGB for which the member of the Management Board is responsible and in the event that the member's appointment to the Management Board is revoked for good cause within the meaning of section 84 (4) AktG.

## 1.2 APPROPRIATENESS OF THE REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD IN THE 2022 FINANCIAL YEAR

The Supervisory Board carried out the annual review of whether the remuneration of the Management Board is appropriate and customary in the market at its meeting to discuss the financial statements.

The review of the appropriateness of the remuneration of the Management Board for the 2022 financial year has shown that the Management Board's remuneration arising from the target achievement for the 2022 financial year is appropriate.

## 1.3 ACTUAL REMUNERATION FOR THE INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD FOR THE 2022 FINANCIAL YEAR

The actual remuneration for the members of the Management Board of KAP AG is described below. This section contains information on the total remuneration of the Management Board, the target setting and target achievement for the variable remuneration, and individualised disclosures on the remuneration of the individual members of the Management Board for the 2022 financial year.

### (a) Non-performance-related components

#### (i) Annual basic salary

In €	2022
Eckehard Forberich	350,000.00
Marten Julius	300,000.00

#### (ii) Fringe benefits

For the 2022 financial year, fringe benefits were provided in the form of company cars and top-ups for social security benefits (see table "Remuneration granted and owed").

### (b) Performance-related remuneration – short-term variable remuneration (annual bonus)

The Supervisory Board has defined normalised group EBITDA, which is adjusted to account for special items, and the consolidated cash flows from operating activities, adjusted for special items, as the performance criteria for the financial targets for the 2022 financial year. For both performance indicators, a specific target value was derived from the annual planning, which in turn is derived from the longer-term planning, which in turn is based on the business strategy, and a corresponding performance corridor with upper and lower limits was defined. For the non-financial targets, performance measured by reference to qualitative targets was used as a performance criterion. The criteria for the non-financial targets set for the 2022 financial year include further developing the corporate strategy, implementing the strategy, professionalising management systems, capital market communication and further developing the sustainability strategy, each weighted between 10% and 25%.

In addition, the weighting for each indicator was set at 40% for normalised EBITDA, 35% for consolidated cash flow from operating activities adjusted for special items, and 25% for non-financial targets.

#### (i) Determination of target achievement in 2022

The target set and target achievement determined for the annual bonus applicable for the 2022 financial year is presented in the following table and applies equally to all members of the Management Board:

#### Target set and target achievement in the short-term variable remuneration (annual bonus)

KPI	Weighting	Target assessment
Normalised group EBITDA	40%	0%
Consolidated cash flow	35%	83%
Non-financial targets	25%	150%
Weighted average target achievement (total target achievement)		67.0%

## (ii) Target amounts and level of annual bonus in 2022

Target, minimum and maximum amounts for the annual bonus			
2022			
in €	Min.	Target (100%)	Max. (200%)
Eckehard Forberich	0	100,000.00	200,000.00
Marten Julius	0	100,000.00	200,000.00

The following payout amounts result on the basis of a total target achievement of 67.0%:

Annual bonus amount	
2022	
in €	
Eckehard Forberich	67,000.00
Marten Julius	67,000.00

## (c) Performance-related remuneration - long-term variable remuneration (virtual share plan)

For the long-term variable remuneration, both the financial targets and the non-financial targets correspond to those for the short-term variable remuneration. Accordingly, the performance criteria used for the financial targets are normalised group EBITDA, which is adjusted to account for special items, and consolidated cash flow from operating activities, adjusted for special items, while for the non-financial targets performance is measured by reference to qualitative targets.

The following applies to the 2022 virtual share plan:

The contractual target amounts and the allocated notional shares are as follows for the individual members of the Management Board:

The target achievements for the performance criteria on which the long-term variable remuneration is based are determined on an annual basis. For the 2022 financial year, the Supervisory Board determined the same target achievements as for the annual bonus.

in €	Target amount (based on 100% target achievement)	Maximum amount (200%)	Average degree of target achievement in %	Number of notional shares allotted
Eckehard Forberich	125,000.00	250,000.00	67.0	4,434
Marten Julius	100,000.00	250,000.00	67.0	3,547

The relevant price of the KAP share for conversion into virtual shares was €18.89.

For the tranche issued in the 2022 financial year, a total of 7,981 virtual shares were provisionally allocated to the members of the Management Board.

## (d) Penalty and clawback clauses

In the 2022 financial year, the Supervisory Board did not identify any reason to make use of the option – to the extent this was available – to reduce, completely refuse or reclaim variable remuneration components.

## 1.4 REMUNERATION GRANTED AND OWED

The following table shows the remuneration granted and owed to each individual member of the Management Board in the 2022 financial year. In accordance with the provisions of section 162 AktG, the amounts fully vested as of the end of the reporting period must be disclosed as remuneration granted and owed. Accordingly, the presentation generally refers to vested shares. The only exception is long-term remuneration, which is reported according to the cash method, i.e. at the payment amount within the reporting year.

Remuneration is disclosed broken down into fixed and variable remuneration components. The fixed remuneration components comprise the non-performance-related fixed annual basic salaries and fringe benefits. The variable remuneration components are broken down into one-year and multi-year variable remuneration. This remuneration disclosed for the reporting year comprises the fixed remuneration components actually earned and paid out in the reporting year plus the multi-year variable remuneration due and paid out in the financial year and the one-year variable remuneration earned in full in the financial year that will be paid out in the spring of the following year (2023).

## Remuneration granted and owed

	Eckehard Forberich		Marten Julius	
	Spokesman of the Management Board		Chief Financial Officer	
	in € thousands	%	in € thousands	%
Annual basic salary	350.0	80.4	300.0	78.9
Fringe benefits	18.1	4.2	13.3	3.5
<b>Total</b>	<b>368.1</b>	<b>84.6</b>	<b>313.3</b>	<b>82.4</b>
One-year variable remuneration (annual bonus)	67.0	15.4	67.0	17.6
Multi-year variable remuneration (virtual share plan)				
2020 virtual share plan	–	–	–	–
2021 virtual share plan	–	–	–	–
2022 virtual share plan	–	–	–	–
<b>Total variable remuneration</b>	<b>67.0</b>	<b>15.4</b>	<b>67.0</b>	<b>17.6</b>
<b>Total remuneration (within the meaning of section 162 AktG)</b>	<b>435.1</b>	<b>100.0</b>	<b>380.3</b>	<b>100.0</b>
Maximum remuneration	2,500.0	–	2,450.0	–

The remuneration of the members of the Management Board in 2022 did not exceed the maximum remuneration of €2,500,000.00 and €2,450,000.00, respectively, as stipulated in the remuneration system.

The maximum remuneration can always only be reviewed retrospectively once payment has been made from the long-term variable remuneration set up for the respective financial year. Accordingly, the final review of compliance with the maximum remuneration for the 2022 financial year will be reported in the remuneration report for 2026 financial year.

### 1.5 BENEFITS UPON TERMINATION OF MANAGEMENT BOARD OFFICE

#### (a) Benefits in connection with the termination of service on the Management Board

No service on the Management Board was terminated during the reporting period.

#### (b) Remuneration granted and owed to former members of the Management Board for the 2022 financial year

No remuneration was granted or owed to former members of the Management Board in the 2022 financial year.

## 2. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

### 2.1 OVERVIEW OF THE REMUNERATION SYSTEM

The remuneration rules for the Supervisory Board applicable for 2022 financial year were confirmed by the Annual General Meeting of KAP AG on 31 August 2022. The remuneration rules are set out in article 13 of KAP AG's Articles of Association.

The Supervisory Board must supervise the way the Company is managed by the Management Board. The remuneration of members of the Supervisory Board should therefore be structured in such a way that it allows the Supervisory Board in particular the independence required for the supervisory task. The remuneration of the members of the Supervisory Board consists exclusively of fixed remuneration components. The level of remuneration paid to individual members of the Supervisory Board depends on the tasks they perform on the Supervisory Board and its committees. The structure of KAP AG's Supervisory Board remuneration thus contrasts with the remuneration of the members of KAP AG's Management Board, which is to a considerable extent performance-related. This strengthens the independence of the Supervisory Board

and thus supports the long-term development of KAP AG. Even though Supervisory Board remuneration is not directly linked to the Company's profitability, in this way it also contributes to the successful implementation of the business strategy.

The Supervisory Board reviews the appropriateness of the components, amount and structure of its remuneration on an ad hoc basis. It evaluates the remuneration of the Supervisory Board at other comparable companies and compares it with the remuneration of KAP AG's Supervisory Board, both in terms of the components and the amount and structure of the remuneration. On the basis of this analysis and taking into account the importance and the effort involved in the work of the Supervisory Board and its committees, the Supervisory Board then decides on the need to change its remuneration. Due to the special nature of Supervisory Board remuneration, which is granted for work that is fundamentally different to the work of the employees of KAP AG and the KAP Group, the process of reviewing and setting remuneration does not factor in what is referred to as a vertical comparison against employee remuneration.

Under the rules set out in the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of €50,000.00. The chair of the Supervisory Board, their deputy and the chairs of the committees receive remuneration for the higher organisational and administrative effort associated with their work and their particular responsibility for the successful and efficient cooperation of the board as a whole. The chair of the Supervisory Board receives 1.5 times the basic remuneration, the deputy chair 1.1 times the basic remuneration. As fixed annual remuneration, the chair of each committee receives €8,000.00 and committee members receive €4,000.00 each in addition to the basic remuneration. The members of the Supervisory Board who have been members of the Supervisory Board for only part of the financial year receive remuneration that is lower in proportion to the time served. The remuneration is payable at the end of each financial year.

Pursuant to section 113 (3) AktG, as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II), the Annual General Meeting of listed companies must pass a resolution on the remuneration of the members of the Supervisory Board at least every four years. Accordingly, the Annual General Meeting on 31 August 2022 adopted a resolution on the remuneration of the members of the Supervisory Board in accordance with section 113 (3) AktG.

## 2.2 INDIVIDUALISED DISCLOSURE OF THE REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The following table presents the remuneration granted and owed to each individual member of the Supervisory Board in the 2022 financial year. The figures shown pertain to the remuneration components for the 2022 financial year that will be paid out in the following year (2023). Accordingly, the presentation refers to vested shares.

### Remuneration granted and owed to the members of the Supervisory Board

	Basic remuneration	
	in € thousands	%
Christian Schmitz <sup>1</sup> since 7 July 2017, Chairman)	0	–
Christoph Schoeller since 23 December 2020, Deputy Chairman since 31 August 2022)	53	100
Dr Markus Adams (since 31 August 2022)	16.6	33
Roy Bachmann since 7 July 2017)	50	100
Joachim Coers from 3 July 2019 to 31 August 2022)	38.5	67
Viktor Rehart <sup>1</sup> since 13 October 2021)	0	–
Uwe Stahmer since 7 July 2017, Deputy Chairman until 31 August 2022)	69.3	100

<sup>1</sup> The Supervisory Board members have waived their Supervisory Board remuneration.

### 3. COMPARATIVE PRESENTATION OF THE DEVELOPMENT OF EARNINGS AND THE ANNUAL CHANGE IN REMUNERATION

In accordance with section 162 (1) sentence 2 AktG, the following overview shows the development of the remuneration granted and owed to the individual members of the Management Board and Supervisory Board in the respective financial year. This is compared with the development of selected key earnings figures for the Company and the Group in the comparative

period (from 2020, gradually increasing in subsequent years until a five-year period is reached). Furthermore, a comparison is presented of the change in average employee remuneration in full-time equivalents. The average values of the employees are determined from the remuneration components paid out in the financial year. Since KAP AG itself does not have any employees, the workforce of Mehler AG, a wholly owned subsidiary of KAP AG, is used for the comparison. The employees of Mehler AG all work for KAP AG. The number of employees does not include the Management Board itself or trainees.

#### Remuneration granted/owed to the Management Board and the Supervisory Board in relation to the development of the remaining workforce and the Company's earnings development

in € thousands	2020	Change in %	2021	Change in %	2022
<b>Remuneration of members of governing bodies</b>					
<b>Current Management Board members</b>					
Eckehard Forberich	376.3 <sup>1</sup>	37.6	517.8	-18.0	435.1
Marten Julius	99.5 <sup>2</sup>	> 100	462.6	-17.8	380.3
<b>Current Supervisory Board members</b>					
Christian Schmitz (Chairman)	0	0	0	0	0
Christoph Schoeller	2.0 <sup>4</sup>	> 100	25	112.0	53.0
Dr Markus Adams (since 31 August 2022)	0	0	0	0	16.6
Roy Bachmann	25.0	0	25.0	100.0	50.0
Joachim Coers (until 31 August 2022)	37.5	0	37.5	2.7	38.5
Viktor Rehart	0	0	0	0	0
Uwe Stahmer	20.9 <sup>3</sup>	79.4	37.5	84.8	69.3
<b>Average remuneration of employees<sup>a</sup></b>					
Employees of Mehler AG	48.3	8.7	52.5	10.1	57.8
<b>Development of the Company's earnings<sup>b</sup></b>					
Group revenue	338.7	2.0	345.6	25.4	433.5
Normalised group EBITDA	32.5	7.7	35.0	2.6	35.9
Net profit/loss for the year of KAP AG	-0.9	> 100	59.5	> -100	-2.7

<sup>1</sup> Pro rata remuneration, as service commenced on 1 March 2020.

<sup>2</sup> Pro rata remuneration, as service commenced on 1 October 2020.

<sup>3</sup> Pro rata remuneration, as member of the Supervisory Board from 1 March 2020.

<sup>4</sup> Pro rata remuneration, as member of the Supervisory Board from 23 December 2020.

a The relative changes in average cash remuneration may be influenced by different factors and may vary across the Management Board and the workforce as well as over time. These include, for example, changes in the composition of the workforce, different adjustments for collectively bargained and non-pay-scale salaries, the integration and spin-off of business units, and HR policy measures.

b Initially disclosed key earnings figures for the respective financial year are used, rather than any values restated in the subsequent year.

## 4. MISCELLANEOUS

The Company maintains directors' and officers' liability insurance for members of governing bodies. The insurance covers the personal liability risk in the event that the group of persons is held liable for pecuniary loss in connection with their work.

In particular, the members of the Supervisory Board are also included in directors' and officers' liability insurance for members of governing bodies and other executives of the Company and its subsidiaries (D&O insurance) in the interest of the Company. The premiums are paid by the Company. The Company reimburses the members of the Supervisory Board for their expenses and for the value-added tax payable on their remuneration to the extent that they are entitled to invoice the Company separately for the value-added tax and exercise this right.

As of 31 December 2022, no advance payments or loans had been made to the Supervisory Board. Furthermore, with the exception of Roy Bachmann, the members of the Supervisory Board did not receive any remuneration for services provided personally, in particular consulting and referral services, in 2022.

For the  
Management Board

Eckehard Forberich

Spokesman of the  
Management Board  
of KAP AG

Marten Julius-Meyer zu Starten

CFO of KAP AG

For the  
Supervisory Board

Christian Schmitz

Chairman of the  
Supervisory Board  
of KAP AG

## 5. INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE REMUNERA- TION REPORT PURSUANT TO SECTION 162 (3) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

To KAP AG, Fulda

### AUDIT OPINION

We have formally audited the remuneration report of KAP AG, Fulda, for the financial year from 1 January to 31 December 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 information required by section 162 (1) and (2) AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

### BASIS FOR THE 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 EPS 870 (2/2023)). Our responsibility under that provision and this standard is further described in the "Responsibility of the auditor" section of our report.

As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1). We have complied with the professional duties pursuant to the German Act Regulating the Profession of German Public Auditors ["Wirtschaftsprüferordnung"] and the Professional Charter for German Public Auditors and German Sworn Auditors ["Berufssatzung für Wirtschaftsprüfer / vereidigte Buchprüfer"] including the independence requirements.

## RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of section 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of a remuneration report, including related disclosures, that is free from material misstatement, whether due to fraud (i.e. manipulation of financial reporting and misappropriation) or error.

## RESPONSIBILITY OF THE AUDITOR

Our objective is to obtain reasonable assurance about whether the disclosures required by section 162 (1) and (2) AktG in the remuneration report have been made in all material respects and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine 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 have not audited 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.

## TREATMENT OF ANY MISREPRESENTATIONS

In connection with our audit, we have a responsibility to read the remuneration report in the light of knowledge obtained in the audit of the financial statements, and to remain alert for indications as to whether the remuneration report contains any misrepresentations 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 misrepresentation exists, we are required to report that fact. We have nothing to report in this connection.

Frankfurt am Main, 12 April 2023

Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

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