



R Remuneration Report 2021

Contents of the remuneration report

This remuneration report has been prepared in accordance with Luxembourg laws. It is a separate report, which contains the main features of the remuneration systems for the management board (the “**Management Board**” and each member, an “**MB Member**”) and supervisory board (the “**Supervisory Board**”) of tonies SE (“**tonies**”) for the financial year 2021 as well as a statement of the amount and structure of remuneration.

1. The remuneration policy for the Management Board

In financial year 2021, the Supervisory Board of tonies SE intensively discussed and reviewed the remuneration policy for its Management Board members, which is effective as of 1 January 2022 and will be presented to the next annual general meeting of tonies.

1.1. Components of the remuneration of the Management Board

The remuneration system of the MB Members comprises fixed and variable components. The fixed components of the remuneration for the MB Members are the fixed annual salary and fringe benefits. The variable component is the share-based long-term bonus remuneration.

1.2. Fixed non-performance-related remuneration components

The fixed components of the remuneration for the Board Members are the fixed annual salary and fringe benefits.

The MB Members receive a fixed annual salary in twelve monthly equal instalments, each to be paid at the end of a month.

The amount of the fixed annual salary is based on the tasks and the strategic and operative responsibility of the individual MB member.

1.3. Variable performance-related remuneration components

The variable component is the long-term variable remuneration, which is comprised of the share-based long-term bonus. The payout amounts are based on the achievement of performance targets by tonies.

The MB Member shall receive a one-time share-based long-term bonus in the amount of EUR 1 million the first time that, within a period of thirty consecutive trading days, the closing price of the publicly traded shares of tonies in XETRA trading (or a comparable successor trading system) on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) exceeds EUR 12.00 on at least twenty (not necessarily consecutive) trading days.

The MB Member shall receive a one-time further share-based long-term bonus of EUR 1.5 million the first time that, within a period of thirty consecutive trading days, the closing price of the publicly traded shares of tonies in XETRA trading (or a comparable successor trading system) on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) exceeds EUR 18.00 on at least twenty (not necessarily consecutive) trading days. The bonus is due for payment to the MB Member within ten days of the fulfillment of the respective conditions of the bonus. Both one-time bonuses will only be paid out if the required events happen before 26 November 2023.

1.4. Previous share-based remuneration

As part of a business combination agreement involving the company Höllenhunde GmbH, the current MB Members were issued shares in tonies within an equity stock option plan (ESOP). This ESOP is not part of the new remuneration policy. The numbers of shares granted and vested are detailed in the table below.

Name	Patric Faßbender MB Member		Marcus Stahl MB Member	
	Höllenhunde ESOP		Höllenhunde ESOP	
Share Plan	Höllenhunde ESOP		Höllenhunde ESOP	
Allocation date	26.11.2021		26.11.2021	
Vesting date	26.11.2022	26.02.2023, 26.05.2023, 26.08.2023, 26.11.2023	26.11.2022	26.02.2023, 26.05.2023, 26.08.2023, 26.11.2023
Number of shares at the beginning of fiscal 2021	0		0	
Number of shares granted	687,802	171,950 at each vesting date	687,802	171,950 at each vesting date
Number of shares Vested	0		0	
Number of shares granted and not yet vested	1,375,604		1,375,604	

1.5. Commitments in connection with the termination of employment

Termination by regular expiry of the order

The contracts of the MB Members expire on 31 December 2025. Both parties can terminate the contract with a three months' notice to the end of the calendar year, but no earlier than 31 December 2023.

Post-contractual non-competition clause

The current service agreement of the MB Members includes a two-year post-contractual non-competition clause. During the term of this post-contractual non-competition clause, the MB Member shall receive a monthly non-competition compensation of 50% of the contractual fixed remuneration lastly received by the MB Member. In the event of an extraordinary termination for good cause, the party entitled to terminate the service agreement has the right to revoke the non-competition clause by written declaration to the other party within one month of the extraordinary termination.

2. Compliance with the remuneration system and determination of target achievement

2.1. Promoting the sustainable development of tonies

The remuneration system promotes tonies' business strategy and long-term interests and thus contributes to tonies' long-term development. Strengthening the profitable and sustainable growth of tonies' business is the focus and basis for the structure of the remuneration system for the members of the Management Board.

In this context, the remuneration system is adjusted to different targets aiming at the share price of tonies. The share price is a key performance indicator that can easily be tracked and measured and that reflects both the company's current success and profitability as well as the strategic and sustainable long-term development. Using the share price ensures that particular attention is paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and the Management Board remuneration.

2.2. Achievement of objectives

Previous contracts for the MB Members included an annual bonus of EUR 100,000. As a carry-over, it was agreed to not set any performance objectives for this bonus in 2021 and instead grant the MB Members the EUR 100,000 in full.

No long-term incentive were granted in the financial year 2021.

3. Allocation in financial year 2021

3.1. Remuneration granted and owed

in EUR		Patric Faßbender MB Member (since 01.03.2014)				Marcus Stahl MB Member (since 01.03.2015)			
		2020	2020 (in %)	2021	2021 (in %)	2020	2020 (in %)	2021	2021 (in %)
Fixed compensation	Base Salary (Fixed compensation)	200,004	94.63%	216,670	94.89%	200,004	95.67%	216,670	95.13%
	Fringe benefits (Insurance, car allowance, etc.)	11,352	5.37%	11,674	5.11%	9,060	4.33%	11,101	4.87%
	Total	211,356	100%	228,344	100%	209,064	100%	227,771	100%
Variable compensation	Variable compensation	90,200	29.91%	162,000	41.50%	90,200	29.91%	162,000	41.56%
	Total	301,556	100%	390,344	100%	300,296	100%	389,771	100%
Other		-	-	-	-	-	-	-	-
Total		301,556	100%	390,344	100%	299,264	100%	389,771	100%
Pension benefits		1,032	0.34%	1,032	0.26%	1,032	0.34%	1,032	0.26%
Total remuneration		302,588	100%	391,376	100%	300,296	100%	390,803	100%

3.2. Comparative presentation of the annual change in compensation with earnings development and employee salary development

Since tonies group only exists since 2021, the development of the remuneration is only reported starting 2021.

Annual change	Percentage change 2021 compared to 2020	Explanation
Management Board compensation		
Patric Faßbender MB Member (since 1 March 2014)	+29,34%	Increase mainly driven by bonus of EUR 100.000 of previous contract which was paid out in Nov 2021
Marcus Stahl MB Member (since 1 March 2015)	+30,14%	Increase mainly driven by bonus of EUR 100.000 of previous contract which was paid out in Nov 2021
Business development of tonies		
Revenue development Adj EBITDA development	+ 40% % change n/a as negative	Exceeding plan significantly Below plan
Average salary development of employees with full time employment		
Salary development of all employees or a reference group	+12,43%	

3.3. Review of the appropriateness of Management Board remuneration

The Supervisory Board conducted a review of the remuneration of the Management Board in financial year 2021 and came to the conclusion that the amount of the remuneration of the Management Board is appropriate from a legal perspective and ensures conformity with the Luxembourg laws.

For the assessment of the appropriateness of Management Board compensation, the Supervisory Board also regularly takes external advice. This involves assessing from an external perspective the relationship between the level and structure of Management Board compensation and the compensation of the workforce as a whole (vertical comparison). In addition to a status quo analysis, the vertical comparison also takes into account the development of compensation ratios over time. On the other hand, the level and structure of remuneration are assessed on the basis of tonies' positioning in a comparative market (horizontal comparison). In addition to fixed compensation, the horizontal comparison also includes the share-based long-term bonus as well as the amount of fringe benefits. The peer group was chosen carefully by the Supervisory Board in order to avoid an automatic upward trend in compensation.

4. Remuneration of the Supervisory Board in financial year 2021

4.1. Components of Supervisory Board remuneration

The members of the Supervisory Board only receive a fixed annual salary. For 2021, remuneration was paid at a prorated basis for December 2021. For details, please refer to the table below.

4.2. Presentation of the annual change in remuneration

in EUR	Financial Year	Fixed compensation	Compensation for Committee work	Meeting fees	Total
Chairperson of the Supervisory Board Anna Dimitrova (since 27 November 2021)	2021	10.000	--		10.000
Deputy Chairperson of the Supervisory Board Christian Bailly (since 27 November 2021)	2021	7.500	--		7.500
Member of the Supervisory Board Dr. Stephanie Caspar (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board Dr. Thilo Fleck (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board Chairperson of the Audit Committee Helmut Jeggle (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board Alexander Kudlich (since 27 November 2021)	2021	5.000			5.000
Member of the Supervisory Board Alexander Schemann (since 27 November 2021)	2021	5.000			5.000
Total	2021	42.500	--		42.500