

Remuneration policy of tonies SE

Definition and basic features of the remuneration for tonies' Management Board and Supervisory Board

The remuneration policy of tonies SE (“**tonies**”) has been drawn up and further revised in the financial year 2023, for the purposes of Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended (the “**Shareholders' Rights Law**”) and been designed to be simple, understandable and clear.

tonies' remuneration policy (the “**Remuneration Policy**”) shall apply to the remunerations paid to the members of its management board (the “**Management Board**” and each member, a “**MB Member**”) as well as the members of the supervisory board of tonies (the “**Supervisory Board**”) as from January 1, 2024.

This Remuneration Policy will be submitted to the advisory vote of tonies' shareholders during the annual general meeting of tonies' shareholders to be held on May 29, 2024.

A. Contribution of the Remuneration Policy to the business strategy, long-term interest and sustainability of tonies

The Remuneration Policy 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 Policy for the MB Members.

tonies therefore provides incentives linked to the development of tonies; that means:

- providing a compensation to motivate the MB Members towards the achievement of long-term goals in order to promote tonies' business strategy, long-term value and creation and sustainability;
- providing adequate compensation in consideration of the responsibilities, competency, commitment, workload, time spent and performance of each individual;
- reflecting the degree of required qualifications and experience of the MB Members, the risks that they take personally, and honour the dedication and efforts that the MB Members put into tonies; and
- ensuring that tonies continues to attract and retain individuals who consistently perform at or above expected levels and contribute to the success of tonies.

B. Details of the remuneration for the Management Board

I. Overview of the fixed and variable remuneration components

The remuneration of the MB Members comprises fixed and variable components as set

out below.

The components mix shall balance both short term economic performance with long term goals of tonies. The total annual remuneration of the MB Members thus shall consist of 20% to 30% of fixed remuneration components. The Variable remuneration will shall consist of a range between 70% to 80% of the total annual remuneration.¹

The Supervisory Board may occasionally deviate from the ratio of fixed and variable remuneration if it determines it to be in the best interest of tonies to respond to internal or external circumstances. The service agreements of the MB Members might also provide remuneration caps for a specific remuneration component or the total remuneration.

1. Fixed remuneration components

The fixed components of the remuneration for the MB Members are granted irrespective of performance and comprise a fixed annual salary, fringe benefits and the reimbursement of expenses.

a. Fixed annual salary

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 and is determined on the basis of a market analysis in respect of remuneration paid by a selected group of peers (e.g., companies of a similar size and structure competing in the same over similar industries and markets).

b. Fringe benefits and reimbursement of costs

Any ordinary and reasonable expenses of the MB Members incurred in connection with the management of tonies will be reimbursed by tonies. Additional benefits for the MB Members may consist, among others, accident insurance, D&O insurance and a company car/company car allowance or similar.

2. Variable remuneration components

The variable remuneration components of the remuneration for MB Members may comprise an annual performance bonus as well as participation in an equity incentive plan, as explained further below. These components shall motivate MB Members to achieve ambitious and challenging financial, operational and strategic goals during one or more financial years.

¹ It should be noted, that for the variable remuneration, 100% achievement of the Annual Performance Bonus (as defined below) have been taken into account. However, as the remuneration granted under the Equity Incentive Plan (as defined below), mainly depends on the share price of tonies, the ratio set out above between the fixed and variable remuneration can only be an indication, no static rule.

a. Annual performance bonus

The MB Members may receive an annual performance-dependant bonus (the “**Performance Bonus**”) paid in cash, depending on the achievement of annual performance targets as short-term incentive (STI).

Such performance targets shall consist of approx. 80 per cent financial targets, including net revenue, adjusted EBITDA, free cash flow, and approx. 20 per cent individual targets, including qualitative and quantitative performance criteria, as included in the MB Members service agreements, or individually determined by the Supervisory Board. The individual targets will particularly consist of strategic and operational criteria, as well as sustainability related criteria.

The individual arrangements further determine the amount in case of 100% achievement of all annual performance targets and the opportunity to a maximum of up to 150% of such amount in case of 150% target achievement to encourage short-term performances.

b. 2022 Equity incentive plan

The MB Members may receive Awards (as defined below) under the “2022 Equity Incentive Plan” (the “**Equity Incentive Plan**”) adopted on August 27, 2022 and approved by the general meeting of shareholders of tonies on May 24, 2023 as long-term incentive (LTI).

The Equity Incentive Plan provides incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of tonies, by offering them an opportunity to participate in tonies’ future performance through the grant of awards and comprises Options, Restricted Stock Awards, Stock Bonus Awards, Stock Appreciation Rights, Restricted Stock Units and Performance Awards (each an “**Award**”), as defined and described in the Equity Incentive Plan.

- An Option is the right but not the obligation to purchase a share in tonies, subject to certain conditions, if applicable, in particular the satisfaction of performance factors.
- A Restricted Stock Unit is an award covering a number of shares in tonies that may be settled in cash, or by issuance or allocation of shares (which may also consist of restricted stock).
- A Performance Award is an award based upon the attainment of performance goals, and may be settled in cash, shares in tonies (which may also consist of restricted stock), other property, or any combinations thereof.

With respect to the further Awards and explicit terms and conditions as set out in the Equity Incentive Plan, reference is made to the Equity Incentive Plan published on tonies’ website.

Furthermore, any Award shall be granted pursuant to an agreement between the MB Member participating in the Equity Incentive Plan and tonies, setting forth the further terms and conditions of the individual Award.

In general, Awards vest in several instalments over a period of four years. The Awards shall be subject to holding periods/sale restrictions. The individual agreements shall further provide for exercise time frames or periods, and the way of settlement of the Award (by way of example, only in cash).

- In case of an Option, these may be granted in different tranches having different exercise prices in order to incentivise certain share price developments.
- In case of Performance Awards, the individual targets and assessment methods will be determined for each year during the vesting period to focus on sustainable and long-term development of the company.

In addition, Awards granted to MB Members under the Equity Incentive Plan are subject to clawback clauses.

c. Additional voluntary bonus

In favour of the MB Members, the Supervisory Board might resolve an additional voluntary bonus for special performance by individual MB Members and upon corresponding special economic success of tonies.

II. Remuneration-related legal acts

1. Terms and termination

The service agreements of the MB Members each provide for a fixed term of three years. During the fixed term, the ordinary termination of the service agreements is excluded. However, the right to declare an extraordinary termination with immediate effect remains unaffected.

Each MB Members may be removed from his office at any time.

2. Severance payments

The service agreements of the MB Members might provide that, in the event of a premature removal of the MB Member from his office as member of tonies SE's management board, any amount of a severance payment shall not exceed the sum of (i) the pro-rated fixed annual salary for a period of two years, however, at most for the remaining term of the fixed service agreement, and (ii) the pro-rated Performance Bonus payable for a period of two years, however, at most for the remaining term of the fixed service agreement.

3. **Post-contractual non-competition**

The service agreements of the MB Members provide for a twelve-month 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 pro-rated fixed annual salary lastly received. 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.

4. **Non-solicitation**

The service agreements of the MB Members provide for non-solicitation undertaking during the term of the respective service agreement and for two years after termination.

5. **Share Ownership Guidelines**

The service agreements of the MB Members may provide for the obligation to acquire shares of tonies equal to up to 100% of the amount of the fixed annual salary (the "**SOG Target**"), and to hold such shares until up to the end of their appointment as MB Member ("**Share Ownership Guideline**").

In case the service agreement provides for Share Ownership Guidelines, the required shareholding should be built up to the effect that the MB Member invests after each year at least 50% of the net amount of the relevant Performance Bonus until a total of 100% of the SOG Target are fulfilled, whereby any shares in tonies the MB Member already owns will be taken into account.

6. **Closed 2020 Virtual Stock Option Program**

Before their appointment, MB Members might have participated in a virtual stock option program "Virtuelles Mitarbeiterbeteiligungsprogramm für ausgewählte Mitarbeiter der Boxine-Gruppe" (the "**VSOP**"), set up prior the business combination resulting in tonies. The VSOP has been closed. MB Members having been granted virtual shares which can be exercised upon vesting for cash payment or shares in tonies ("**Virtual Shares**") at tonies' discretion pursuant to the VSOP might however still hold Virtual Shares not yet vested and/or exercised and to be vested and/or exercised in the future.

The VSOP does not provide for specific restrictions for the exercise of Virtual Shares once vested.

7. **Clawback clauses**

The variable remuneration components are subject to clawback clauses to the extent customary and legally permissible.

III. Consideration to be given to the employees' terms and conditions of remuneration and employment when determining the Remuneration Policy

When determining the remuneration and fringe benefit system for MB Members, the Supervisory Board considered the remuneration and employment conditions for the workforce of tonies, in particular how remuneration has developed over time.

IV. Procedure to determine and implement, as well as to review the Remuneration Policy

The Supervisory Board adopts a clear and comprehensible remuneration policy for the MB Members. The Supervisory Board reviews the Remuneration Policy at its due discretion, but in any event every four years. The Supervisory Board reviews the level of fixed annual salary every two years in order to ensure it is commensurate. To do so, the Supervisory Board conducts a market comparison and takes particular account of changes in the business environment, the overall economic situation and strategy of tonies, changes and trends in national and international corporate governance standards, and developments in the employees' terms and conditions of remuneration and employment. If necessary, the Supervisory Board consults external remuneration experts and other advisors. The Supervisory Board thereby pays attention to the independence of the remuneration experts and the advisors to the Management Board and take the necessary precautions to avoid conflicts of interest.

The Supervisory Board presents the remuneration policy to the general meeting for approval each time there is a substantial change, but at least every four years. Should the general meeting not approve the remuneration policy, the Supervisory Board submits a revised remuneration policy to the general meeting for approval at latest at the next annual general meeting. In case of such amendment, the revised remuneration policy shall describe and explain all significant changes and, where applicable, how the votes and views of the general meeting of shareholders on the remuneration policy and, as the case may be, the remuneration reports since the most recent vote on the remuneration policy by the general meeting of shareholders have been taken into account.

V. Measures to avoid and manage conflict of interests

The Supervisory Board take adequate measures to ensure that possible conflicts of interests affecting the Supervisory Board members involved in advising and decision-making on the Remuneration Policy are avoided and, as the case may be, resolved. Each Supervisory Board member is under a duty to notify the chairman of the Supervisory Board of conflicts of interest. The chairman of the Supervisory Board discloses to the complete Supervisory Board any conflicts of interest affecting him. The Supervisory Board decides how to deal with an existing conflict of interest on a case-by-case basis. One option, in particular, would be for a Supervisory Board member affected by a conflict of interest not to participate in a meeting or in individual consultations and decisions of the Supervisory Board.

VI. Exceptional circumstances

In exceptional circumstances, tonies can temporarily derogate from this Remuneration Policy regarding the remuneration of the MB Members.

Exceptional circumstances are situations in which the derogation from this Remuneration Policy is necessary to serve the long-term interest and the sustainability of tonies or to assure its viability. A derogation from this Remuneration Policy for the Management Board in the aforementioned exceptional circumstances requires a resolution of the Supervisory Board assessing the exceptional circumstances and the necessity of a derogation.

The Supervisory Board may temporarily deviate from the Remuneration Policy (procedure and regulations on remuneration structure) and its individual components, as well as with regard to the individual remuneration components of the Remuneration Policy or introduce new remuneration components if this is necessary for the long-term wellbeing of tonies. The Supervisory Board reserves such deviations for exceptional circumstances, for example an economic or tonies crisis.

C. Details of the remuneration for the Supervisory Board

The members of the Supervisory Board receive a fixed annual salary and might be entitled to attendance fees for the attendance at committee meetings, as further described below.

For the financial year 2024, the remuneration of the Chairman of the Supervisory Board is set at EUR 120,000 gross, the remuneration of the deputy chairman of the Supervisory Board is set at EUR 90,000 gross, the chairman of the audit committee of the Supervisory Board is set at EUR 90,000 gross and the remuneration of members of the Supervisory Board is set at EUR 60,000 gross.

Under the articles of association of tonies, the Supervisory Board can establish certain committees (e.g., audit committee, remuneration and nomination committee, ad hoc committee, etc). Attendance at a meeting of such committees can entitle its member to an attendance fee. Furthermore, the Supervisory Board can resolve to award a fixed annual salary to a chairman of a committee created by the Supervisory Board of up to EUR 30.000 gross. Such remuneration may be increased as determined by the Supervisory Board on an as-needed basis, taking into considerations benchmarks against peer companies (e.g., companies of a similar size and structure competing in the same over similar industries and markets) to attract and retain high-quality and experienced individuals.
