

Remuneration policy of tonies SE

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

In financial year 2021, the supervisory board (the "**Supervisory Board**") of tonies SE ("**tonies**") intensively discussed and reviewed the remuneration policy for the members of its management board (the "**Management Board**" and each member, a "**MB Member**"), which is effective as of 1 January 2022. This remuneration policy ensures conformity with the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in listed companies, as amended. The Management Board remuneration policy (the "**Remuneration Policy**") has been designed to be simple, understandable and clear.

This Remuneration Policy will be submitted to the advisory vote of tonies' shareholders during the annual general meeting of tonies' shareholders to be held in 2022 and is intended to remain in place for four years; i.e. until the annual general meeting to be held in 2026. In the event of material changes and in any case, every four years, this Remuneration Policy shall be submitted to the advisory vote of tonies' shareholders.

1. Details of the Remuneration Policy of the Management Board

A. Contribution of the remuneration to promoting the business strategy and the long-term development 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.

In this context, the Remuneration Policy 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 tonies' 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.

B. Overview of the fixed and variable remuneration components and their respective relative proportion of the remuneration

The Remuneration Policy 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.

i. Fixed remuneration components

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

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 aim of the fixed annual salary is to attract and retain high quality and experienced individuals.

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.

Under the articles of association of tonies, the Management Board can establish certain committees (e.g., investment committee, *ad hoc* committee, investment and financing committee, etc).

Attendance at a meeting of such committees can entitle its member to an attendance fee. Furthermore, the Management Board can resolve to award a fixed yearly remuneration of up to EUR 15,000 to a chairman of such a committee. Such remuneration may be increased by the Management 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.

b. Fringe benefits

Additional benefits consist of incapacity to work benefit, sickness benefit, daily sickness benefit or daily hospital allowance, accident insurance, D&O insurance and a company car. For the duration of their service agreement, tonies also grants the MB Members an allowance for their health and long-term care insurance in the amount of the employer's share as it would have been in the case of compulsory insurance in the statutory health insurance, however, not exceeding half of the amount which the respective MB Member actually spends for health and long-term care insurance for him-/herself and his/her family members. Furthermore, in the event that a MB Member dies during the term of their service agreement, the spouse or registered partner of the MB Member shall be entitled to payment of the fixed remuneration for the month of death and the following three months.

ii. Variable 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. Variable remuneration is performance-related and is intended to motivate MB Members to achieve ambitious and challenging financial, operational and strategic goals during one or more financial years.

a. Target bonus

MB Members may be entitled to annual target bonuses. These bonuses are paid cash upon satisfaction of the performance conditions linked to the fulfillment of the financial plan of tonies. Target bonuses are based on tonies' and individual performance. Individual performance is assessed based on qualitative and quantitative performance criteria. A value for target achievement of 100% is generally defined, with potential downward and upward deviations. The maximum amount of such target bonuses is currently up to EUR 100,000W on a yearly basis or such higher amount as the Supervisory Board may approve from time to time in accordance with market practices.

b. Long term incentive

The variable remuneration of MB Members can also be composed of additional long-term incentives either in the form of shares, share options or cash settlements depending on the development of tonies' share price.

The long-term incentive can be subject to a deferred vesting schedule as well as to a retention mechanism on vested portions to ensure alignment between MB Members' remuneration and shareholders' interests, in line with market practice.

c. One-time share based long term bonuses

Furthermore, 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.

Further, the MB Member shall receive a further one-time 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 November 26, 2023.

In relation to the business combination of tonies which took place prior to the entry into force of the present Remuneration Policy, the relevant MB Members are entitled to shares in tonies within the framework of an equity stock option plan (ESOP) set up in relation to the business combination of tonies. In consequence, such ESOP is not governed by the present Remuneration Policy and entitles only the relevant MB Members that were granted shares in relation to the business combination of tonies.

C. Performance criteria for the granting of variable remuneration components

The variable remuneration components are structured in such a way as to create an appropriate incentive system for the implementation of the corporate strategy and a sustainable value creation and increase in value. Particular attention is paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and of the Management Board remuneration. The Remuneration Policy developed by the Supervisory Board provides a great deal of transparency by linking the variable remuneration to clearly defined share price increase targets, thereby linking variable remuneration to the target of a sustainable increase in the corporate value. The aim of the share-based long-term bonus is to align the actions of the MB Members with the long-term value creation of tonies and to further strengthen the alignment between shareholder and Management Board interests.

The variable remuneration of an MB Member is thus generally measured on the basis of "overall target achievement", assessed on an annual basis the Supervisory Board the holding

of specific performance meeting with each MB Member. Different bonus target levels can be included in the overall target achievement:

- corporate goals;
- personal goals;
- compliance goals.

Such goals may be included in the MB Members' contractual agreements and/or when defining individual goals with the Supervisory Board.

D. Remuneration-related legal acts

i. Terms and prerequisites for the termination of remuneration-related legal acts

The existing service agreements 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.

ii. Compensation for removal

The current service agreements of the MB Members include 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 Management Board. 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.

E. 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.

F. 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.

The Remuneration Policy is to apply to all existing, prolonged and new Management Board service contracts from 1 January 2022, onwards.

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.

G. 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.

2. Details of the Remuneration Policy of the Supervisory Board

A. Fixed Remuneration

The members of the Supervisory Board only receive a fixed annual salary.

For the financial year 2022, the remuneration of the Chairman of the Supervisory Board is set at EUR 120.000, the remuneration of the deputy chairman of the Supervisory Board is set at EUR 90.000 and the remuneration of members of the Supervisory Board is set at EUR 60.000.

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 yearly remuneration to a chairman of a committee created by the Supervisory Board of up to EUR 30.000. 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.