

System of remuneration for members of the Supervisory Board

Introduction

The currently applicable remuneration of the members of the Supervisory Board is based on the remuneration system described herein and was approved by resolution of the Annual General Meeting on 3 December 2019.

The resolution of the Annual General Meeting reads as follows:

- „1. Each member of the Supervisory Board shall receive, in addition to the reimbursement of his or her expenses and the reimbursement of any value added tax payable on his or her Supervisory Board remuneration, a fixed remuneration of Euro 20,000 p.a. payable in quarterly instalments of Euro 5,000 at the end of each financial quarter.
2. The Chairman of the Supervisory Board shall receive five times, and the Deputy Chairman twice, the basic remuneration pursuant to item no. 1 above.
3. For the activity in a committee formed by the Supervisory Board, a separate remuneration of Euro 10,000 p.a. each is additionally granted. The chairman of a committee formed by the Supervisory Board shall receive double the remuneration in each case. For the membership or the assumption of the chairmanship in a nomination committee formed by the Supervisory Board or a committee formed by the Supervisory Board on an ad hoc basis, a separate remuneration pursuant to this item no. 3 shall only be granted if the committee has met at least three times in the respective financial year.
4. The remuneration pursuant to the above items no. 1 to 3 shall be granted on a pro rata temporis basis if a member of the Supervisory Board is not a member of the Supervisory Board or one of the committees or does not hold the position as Chairman of the Supervisory Board or one of the committees or as Deputy Chairman of the Supervisory Board for the entire financial year.
5. In addition, the members of the Supervisory Board may be included in a financial loss liability insurance policy for executive bodies and certain managers (*Vermögensschaden-Haftpflichtversicherung für Organe und bestimmte Führungskräfte*) maintained by the Company in the interest of the Company at an appropriate amount, if such a policy exists. The premiums for this are paid by the Company.
6. Remuneration pursuant to the above items no. 1 to 5 shall be granted for the first time for the financial year beginning on 1 January 2020.“

Contribution of the remuneration to the promotion of the business strategy and the long-term development of the Company

Unlike the Executive Board, the Supervisory Board is not operationally active, but monitors and controls the Executive Board in the performance of its management activities. Accordingly, the remuneration of the Supervisory Board must be structured in such a way that it does justice to the independence of the Supervisory Board required for supervision and control. At the same time, the appropriate structure of the Supervisory Board remuneration should enable GERRY WEBER International AG to attract and retain qualified mandate holders for the assumption of a Supervisory Board mandate or chairmanship.

The remuneration of the Supervisory Board consists exclusively of a fixed remuneration; variable components are not provided for. The actual amount of remuneration of the individual Supervisory Board member is determined on the basis of the fixed basic remuneration and additional remuneration for tasks assumed on the Supervisory Board or in Supervisory Board committees.

The remuneration of the members of the Executive Board generally includes a significant proportion of variable remuneration components. The structure of the Supervisory Board remuneration without variable remuneration components, on the other hand, grants the Supervisory Board members independence from performance indicators and other financial incentives. This ensures independent monitoring and control of the Executive Board's activities by the Supervisory Board. Ensuring the independent and effective exercise of control over the Executive Board contributes sustainably to the long-term development of the company and at the same time promotes the successful implementation of the business strategy.

Explanation on the consideration of employees' remuneration and employment conditions when determining the remuneration system

The activity of the Supervisory Board members of GERRY WEBER International AG differs fundamentally in type and scope from the activity of the employees of GERRY WEBER International AG or GERRY WEBER group. Therefore, when reviewing and determining the remuneration of the Supervisory Board members, a so-called vertical comparison with the remuneration and employment conditions of the employees as well as the determination of a group of employees to be included in the comparison is not an option.

Presentation of the procedure for establishing, implementing and reviewing the remuneration system

The review of the remuneration and the remuneration system, in particular with regard to the components, amount and structure of the remuneration, is carried out by the Supervisory Board on an ad hoc basis and at the latest in preparation for the regular discussion of the remuneration of the Supervisory Board at the Annual General Meeting. The Supervisory Board has delegated the preparation of the Supervisory Board resolutions required for this to the Personnel Committee of the Supervisory Board. If necessary, the Supervisory Board and/or the Personnel Committee of the Supervisory Board will consult external advisors. When mandating external remuneration consultants, attention is paid to their independence.

The resolution proposal prepared by the Supervisory Board shall then be submitted to the General Meeting for resolution.

The term of office of all members of the Supervisory Board holding office in the Company's short financial year 2019 ends by operation of law at the latest at the end of 30 November 2019. In the run-up to the new appointments of the new members of the Supervisory Board, the two then sole shareholders of the Company had developed the remuneration system as resolved by the Annual General Meeting on 3 December 2019. The aim was to decide on an attractive remuneration for the members of the Supervisory Board that adequately takes into account the activity or participation in one or more committees of the Supervisory Board.

Due to the amendment by the ARUG II, the provision in section 113 (3) sentence 1 German Stock Corporation Act (*Aktiengesetz – AktG*) now stipulates that the Annual General Meeting must pass a resolution on the remuneration of the Supervisory Board members every four years, whereby a resolution confirming the remuneration is also permissible pursuant to section 113 (3) sentence 2 AktG.

In preparation for this resolution, the Personnel Committee of the Supervisory Board will in future conduct an analysis of its remuneration at least every four years and present the results to the full Supervisory Board. The Supervisory Board and the Executive Board will submit the remuneration of the Supervisory Board members to the Annual General Meeting for resolution at least every four years. Instead of a resolution, the remuneration of the Supervisory Board may also be determined by the majority of the Annual General Meeting amending the articles of association. If the Supervisory Board remuneration submitted to the Annual General Meeting for resolution does not find the required majority, a revised Supervisory Board remuneration shall be submitted to the following ordinary Annual General Meeting at the latest.

The fact that the Supervisory Board itself plays a decisive role in the design of the remuneration system and the preparation of the draft resolution results from the distribution of competences between the executive bodies of the Company. However, the conflict of interest resulting from this is already prevented by law by the fact that the final decision-making authority is assigned exclusively to the Annual General Meeting. In addition, a proposal for a resolution by both the Supervisory Board and the Executive Board is submitted to the Annual General Meeting.

Fixed and variable remuneration components and their respective relative share of remuneration

In accordance with the resolution of the Annual General Meeting of 3 December 2019, each member of the Supervisory Board receives an annual fixed remuneration of EUR 20,000. The Chairman of the Supervisory Board receives five times the amount of the Supervisory Board remuneration, and the Deputy Chairman receives twice the amount. In addition, each member of the Supervisory Board receives a separate fixed remuneration of EUR 10,000 per financial year for serving on a committee of the Supervisory Board and EUR 20,000 per financial year for chairing a committee. For membership or assumption of the chairmanship of the nomination committee or an ad hoc committee, a corresponding separate remuneration is only granted if the committee has met at least three times in the respective financial year.

In addition, each member of the Supervisory Board shall be reimbursed for his or her expenses and any value added tax payable on his or her Supervisory Board remuneration.

The members of the Supervisory Board are not granted any share-based or other variable remuneration in addition to the fixed remuneration components.

In addition, the members of the Supervisory Board may be included in a financial loss liability insurance policy for executive bodies and certain managers (*Vermögensschaden-Haftpflichtversicherung für Organe und bestimmte Führungskräfte*) maintained by the Company in the interest of the Company in an appropriate amount, provided that such a policy exists.

Deferral periods for the payment of remuneration components

The remuneration of the Supervisory Board is payable in quarterly instalments at the end of each financial quarter.

Remuneration-related legal transactions, term of appointment

The granting of remuneration to the members of the Supervisory Board finds its basis in the cooperative legal relationship between the Company and the respective Supervisory Board member, which comes into being through the election to the Supervisory Board and its acceptance. The respective claim to remuneration results from the resolution of the general meeting on Supervisory Board remuneration on the granting of remuneration or, in the event of a corresponding amendment to the Articles of Association, from the provision of the Articles of Association regulating the remuneration. There is no remuneration agreement between GERRY WEBER International AG and the individual Supervisory Board member.

Pursuant to Section 9 subsection 2 of the Articles of Association of GERRY WEBER International AG, the members of the Supervisory Board are appointed for the period until the end of the Annual General Meeting that resolves on the discharge for the fourth financial year after the beginning of the term of office. The financial year in which the term of office begins shall not be counted. The Annual General Meeting may determine a shorter term of office for the members to be elected by it at the election. The re-election of a member of the Supervisory Board shall be permissible.

The dismissal of Supervisory Board members is possible in accordance with the respective applicable legal provisions. Pursuant to § 10 para. 2 of the Articles of Association of GERRY WEBER International AG, the members of the Supervisory Board may also resign from office by giving two weeks' written notice to the Chairman of the Supervisory Board or the Executive Board. The statutory right to resign from the Supervisory Board for good cause remains unaffected.

If a member of the Supervisory Board is not a member of the Supervisory Board or one of the committees or does not hold the position of Chairman of the Supervisory Board or one of the committees or the position of Deputy Chairman of the Supervisory Board for the entire financial year, the remuneration for the assumption of the office as member of the Supervisory Board, Chairman or Deputy Chairman of the Supervisory Board as well as for the activity in a committee formed by the Supervisory Board as a regular member or committee chairman shall be granted pro rata temporis.