

Compensation Report

The Compensation Report describes the compensation principles, governance framework and compensation system of Zur Rose Group AG. It also contains detailed information on the compensation of the members of the Board of Directors and Group Management for the 2020 financial year (the “reporting year”). This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange on 20 June 2019.

1 Principles

1.1 Principles of the compensation of the Group Management

The value and success of Zur Rose Group AG largely depends on the quality and commitment of its employees. Its compensation policy supports the goal of recruiting, motivating and retaining qualified individuals for the Group. The performance-related and share-based components are also designed to align the way of thinking and acting with shareholders’ interests.

The compensation system is based on the following principles:

- (a) the compensation system anchors the strategic growth targets;
- (b) the compensation is fair, market consistent and transparent; and
- (c) it supports the recruitment, motivation and retaining of talented and motivated employees.

1.2 Principles of the compensation of the Board of Directors

The members of the Board of Directors are expected to act independently in exercising their supervisory activities. Therefore they receive for their work only fixed compensation (a retainer) for each term of office, which is granted partly in cash and partly in blocked shares in the Company.

2 Governance

2.1 Role of Shareholders and Compensation Provisions in the Articles of Association

Under the Swiss “say on pay” provisions, shareholders of companies listed in Switzerland have a significant influence on the compensation of the Board of Directors and Group Management. For one, the shareholders annually approve the maximum total amounts of compensation for the members of the Board of Directors and Group Management. In addition, the principles governing compensation are defined in the Articles of Association, which are also subject of the approval of the shareholders. The Articles of Association can be viewed online at <https://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html>. These include the rules for voting on compensation by the General Meeting of Shareholders (Art. 25), the principles of compensation and rules concerning the principles of performance-related compensation (Art. 27), the supplementary amount (Art. 26) and the granting of loans and credits (Art. 30). The key provisions of the Articles of Association are summarised below:

Approval of compensation (Art. 25): The General Meeting of Shareholders approves the proposals of the Board of Directors in relation to the aggregate amounts of the maximum fixed compensation of the Board of Directors for the following financial year, the variable compensation of the Board of Directors for the preceding financial year, the maximum fixed compensation of the Group Management for the following financial year, and the variable compensation of the Group Management for the preceding financial year.

Supplementary amount for changes to Group Management (Art. 26): If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient also to cover new members of the Group Management, the Company may pay a supplementary amount, which may not exceed 50 per cent of the last aggregate compensation amount approved.

Principles of compensation of the members of the Board of Directors and Group Management: The compensation of the non-executive members of the Board consists of fixed compensation, variable compensation elements as well as further compensation elements and benefits. The compensation of the executive members of the Board of Directors and the members of the Group Management consists of fixed and variable compensation elements as well as further compensation elements and benefits. Total compensation takes into account the position and level of responsibility of the recipient. Fixed compensation comprises the base salary or director's fees, as applicable, and may comprise other compensation elements and benefits. Variable compensation takes into account the achievement of specific performance targets and may be awarded in cash or in equity-based instruments. The Board of Directors determines performance targets and other conditions such as grant, vesting, exercise, restriction and forfeiture conditions and periods.

Loans and credits (Art. 30): Loans and credits to members of the Board of Directors and Group Management may be granted under market conditions. The total amount of such outstanding loans and credits may not exceed the total annual compensation of that member.

2.2 Compensation and Nomination Committee

Under the Articles of Association, the Compensation and Nomination Committee (CNC) comprises three members of the Board of Directors. The CC supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines, and in preparing the proposals to the General Meeting of Shareholders on the compensation of the Board of Directors and Group Management. It also makes recommendations regarding the appointment of members of the Board of Directors and Group Management for the attention of the Board of Directors.

LEVELS OF RESPONSIBILITY					
Decision on:	CEO	VRP	Compensation Committee	Board of Directors	General Meeting of Shareholders
Compensation policy, including structuring of variable compensation			Recommendation	Approval	
Performance criteria for the compensation of the members of Group Management	Recommendation		Proposal	Approval	
Maximum total compensation of the Board of Directors and Group Management			Recommendation	Proposal	Approval (binding vote)
Individual compensation Chairman			Proposal	Approval	
Performance assessment and individual compensation CEO		Recommendation	Proposal	Approval	
Individual compensation of the members of the Board of Directors			Proposal	Approval	
Performance assessment and individual remuneration of the members of Group Management (excluding the CEO)	Recommendation		Proposal	Approval	
Compensation Report			Recommendation	Approval	Consultative vote

The Compensation and Nomination Committee consists of three members of the Board of Directors and comprises: Dr. Thomas Schneider, chair, Prof. Stefan Feuerstein, member, and Florian Seubert, member. The members are elected by shareholders at the Annual General Meeting of Shareholders for the reporting year. The members of the CNC serve for a term of one year ending at the end of the next Annual General Meeting of Shareholders (term of office). They are eligible for re-election.

As a rule, the meetings of the CNC are held before the meetings of the Board of Directors, so that the proposals can be formulated and approved by the full Board. In addition, the chairman of the CNC reports to the Board of Directors on the Committee's activities after each meeting. The minutes of the Committee meetings are provided to the members of the Board of Directors. Members of the Group Management may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The CNC meets at least twice a year. In 2020 the CNC held two regular meetings and considered, amongst other things, the recurring agenda items mentioned above. All members attended all meetings.

The CNC may engage the services of an external consultant in compensation matters from time to time. In 2020, hkp Deutschland were appointed to carry out a benchmarking exercise for the compensation of the Group Management. This firm holds other appointments from the Zur Rose Group. The CNC can also consult internal experts on compensation issues, such as the Chief Executive Officer, the Chief Financial Officer and the Group Head of Human Resources.

2.3 Determination Procedure and Disclosure of Compensation

The CNC benchmarks the compensation of Group Management regularly against the compensation paid by comparable listed companies and European e-commerce companies. Companies with comparable market capitalisation and revenue are taken into account. An in-depth review of the compensation of the Group Management was carried out in 2020, to determine how competitive it is in terms of structure and overall amount. The peer group comprises AO World, APG. The peer group includes AO World, APG SGA, Arbonia, Ascom, Bobst Group, Bossard, Burckhardt, Burkhalter, Comet, Conzeta, Daetwyler, Delticom, Hawesko, Huber+Suhner, Inficon, Interroll, Kardex, Komax, Kudelski, Metall Zug, Rieter, Schweiter, Siegfried, SRP, u-blox and Zooplus, and is balanced in terms of market capitalisation, income and headcount. The compensation of the CEO of DocMorris was also compared with a sector-specific group of e-commerce companies and direct competitors.

The comparison data of similar companies are only one factor to be taken into account by the CC in determining the target compensation of the individual members of the Group Management. The actual compensation of the individual members of the Group Management is based on their personal performance and the Company's success. Personal performance is assessed as part of the annual performance management process. In determining personal performance, the achievement of individual goals and the fulfilment of tasks within the framework of the corporate values and the expected management skills are taken into account. The individual performance assessment and the Company's success form the basis for determining the variable compensation.

The compensation of the Board of Directors is regularly compared with standard practice at other Swiss industrial companies. A review of the compensation of the Board of Directors was carried out in 2017, to determine how competitive it is in terms of structure and overall amount. Two reference markets were considered to gain a comprehensive view of market practice. A general Swiss market was considered, comprising the top 100 SPI companies, and a market made up of a group of 39 Swiss companies listed on SIX Swiss Exchange, adjusted by size and industry. The structure and amount of the compensation of the Board of Directors has not been adjusted since this review. The next review is scheduled for the coming year.

3 Compensation of the members of the Board of Directors

3.1 Compensation Structure

The compensation system for the Board of Directors is primarily intended to ensure it acts independently in overseeing the Group Management. Board members therefore receive a fixed base fee for their services for each term of office (retainer), 70 per cent of which is paid in cash and 30 per cent comprising registered shares of the Company with a three-year vesting period. In addition to the basic compensation they receive cash compensation for sitting on various committees. The size of the fee reflects special functions (chair, vice-chair or member) and memberships and functions in the Board's committees. The amount of compensation is not linked to a performance component and is not discretionary. Depending on the role, the following compensation is paid:

In CHF 1,000 (gross p.a.)	Total compensation	of which in cash	of which in shares
Chairman	300	210	90
Vice Chairman	130	91	39
Director	100	70	30

The following (gross p.a.) compensation is paid exclusively in cash for serving on Committees:

In CHF 1,000	Cash compensation
Committee chairman	20
Committee member	10

The Chairman of the Board of Directors does not receive a fee for serving on the Committees. The Executive Director and CEO is remunerated for his services as part of his ordinary compensation as a member of the Group Management and does not receive any additional compensation for serving on the Board of Directors.

The cash payment is made after the Annual General Meeting of Shareholders and the shares are transferred shortly afterwards. Shares are released in the event of liquidation or a change of control. The Company may reimburse members of the Board of Directors for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation. The members of the Board of Directors do not participate in the pension plan of Zur Rose Group AG.

3.2 Compensation paid to the Board of Directors in the 2020 financial year

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance).

For the 2020 financial year, the members of the Board of Directors received fixed compensation of CHF 845,000 (2019: CHF 788,000), compensation of CHF 74,000 for serving on committees (2019: CHF 74,000), and social security contributions of CHF 51,000 (2019: CHF 53,000). Of the total compensation of CHF 970,000 (2019: CHF 915,000), CHF 264,000 (2019: CHF 236,000) was awarded in the form of shares with a vesting period of three years. The fixed remuneration for members of the Board of Directors who had been members for the last two years was unchanged from the previous year. The table below shows the compensation paid to members of the Board of Directors in 2020.

Name, function ¹⁾	Fixed gross compensation in cash		Fixed gross compensation in shares ²⁾		Committee fee in cash		Social security contributions		Total ³⁾	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
In CHF 1,000 (gross)										
Prof. Stefan Feuerstein (Chairman)	210	210	95	90	-	-	22	21	327	321
Dr. Thomas Schneider (Vice Chairman)	91	91	41	39	20	20	11	11	163	161
Prof. Dr. Volker Amelung (Director) ⁴⁾	70	70	32	30	34	34	10	10	146	144
Dr. Heinz Baumgartner (Director)	-	29	-	13	-	4	-	3	-	49
Vanessa Frey (Director)	-	29	-	13	-	4	-	3	-	49
Tobias Hartmann (Director)	70	41	32	17	-	-	-	-	102	58
Dr. Christian Mielsch (Director)	70	41	32	17	10	6	-	-	112	64
Florian Seubert (Director)	70	41	32	17	10	6	8	5	120	69
Non-Executive Directors	581	552	264	236	74	74	51	53	970	915
Walter Oberhänsli (Executive Director and CEO)	-	-	-	-	-	-	-	-	-	-
Board of Directors	581	552	264	236	74	74	51	53	970	915

1) As at 31 December 2020 and 31 December 2019, seven members of the Board of Directors were in office. The previous year's members were re-elected to the Board at the Annual General Meeting of Shareholders on 23 April 2020. Vanessa Frey and Dr. Heinz Baumgartner stepped down from the Board of Directors at the Annual General Meeting of Shareholders on 23 May 2019. At the same time, the AGM elected Tobias Hartmann, Dr. Christian Mielsch and Florian Seubert to the Board of Directors.

2) The relevant fair value on the day of allocation of CHF 158.40 (2019: CHF 96.40) per share corresponds to the respective daily closing price on the Swiss stock exchange.

3) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements. Grants are reported in the Compensation Report for the year for which they are awarded.

4) The committee fee paid to Prof. Dr. Volker Amelung includes a director's fee for a subsidiary in the amount of CHF 14,000.

At the Annual General Meeting held on 23 May 2019, the shareholders approved a maximum total amount of the fixed compensation for the Board of Directors for the 2020 financial year worth CHF 1,030,000. The compensation for the 2020 financial year granted to the Board of Directors and disclosed in the table above is within the maximum authorised total amount.

No compensation was paid to former members of the Board of Directors during the reporting year. No compensation was paid to parties closely associated with members of the Board of Directors. No loans were granted to members of the Board of Directors during the financial year. At the end of the reporting year, there were no loans to members of the Board of Directors, former members of the Board of Directors or related parties.

4 Compensation of the members of the Group Management

4.1 Compensation Structure

The compensation system for the Group Management is aligned with the corporate strategy and linked to the relevant key performance indicators for the variable compensation elements. This allows the compensation of the members of the Group Management to be determined transparently and based on performance. The Board of Directors decides on targets.

Criteria such as position, responsibility, experience and market data are used to determine the compensation of the Group Management. The individual compensation of the members of the Group Management

consists of a fixed and a performance-related salary component limited in amount, as well as pension and fringe benefits (company car).

The Company may reimburse members of the Group Management for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation.

COMPENSATION STRUCTURE

Element	Purpose	Instrument	Performance criterion	Performance period	Determinants
Fixed annual base salary	Recruitment, retention, motivation	Cash compensation	–	–	Position, qualification, market rates
Short-term variable compensation	Rewarding performance	Cash compensation	Revenue, EBIT, individual targets	1 year	Financial result and qualitative performance
Long-term variable compensation	Rewarding sustainable value creation, Alignment with shareholders' interests	Shares	Revenue, relative Total Shareholder Return	3 years	Success of the Group, share price performance, competitive position
Pension and fringe benefits	Protection against risks, employee recruitment and retention	Pension plan, insurance plans, fringe benefits	–	–	Market rates and legal requirements

Fixed annual base salary

Base salaries are determined based on the scope and responsibilities of a given position and the qualifications required to perform the job, the market rate of compensation and the personal qualifications, experience and performance of each member of the Group Management. Payment is made monthly in cash.

Short-term variable compensation

Short-term variable compensation is a performance bonus that recognizes both the Group's financial performance and the employees' personal performance in a given financial year. Through this variable compensation, employees participate in the Group's success and are rewarded for their personal performance. The target value of short-term variable compensation is expressed as a percentage of annual base salary and is 40 per cent for the CEO and between 20 and 40 per cent for the other members of the Group Management. The performance bonus can be a total of 0 to a maximum of 150 per cent of the target value.

The targets established by the CEO are set by the Board of Directors at the beginning of each year at the request of the Compensation and Nomination Committee and assessed at the end of the financial year based on the actual results achieved. The financial metrics during the financial year continued to be revenue and earnings targets. These financial targets have been selected because they represent the main value drivers for the Company and reflect the expansion of the business and market share (in terms of revenue) and operational profitability. As in the previous year, between 40 and 60 per cent were revenue and earnings targets for the Group or the segments and between 40 and 60 per cent were primarily the basis for measuring the short-term variable component.

For each target, an expected level of performance (target) and strategy is defined based on the budget. A minimum threshold of target achievement, below which no variable compensation is paid, and a maximum threshold of target achievement, above which the variable compensation is capped, are determined as well. The payout amount between minimum threshold, target and maximum threshold is interpolated linearly. It is at the discretion of the Board of Directors to adjust variable compensation

upwards and downwards, if necessary, on the basis of individual, qualitative performance of the individual members of the Group Management.

			CEO	CFO	Other Group Management
Short-term variable compensation	Financial targets (Group or Segment)	Revenue	30%	0%	20–40%
		Income	20%	20%	20%
	Individual targets	Incl. net working capital, cash flow, strategic initiatives	50%	80%	40–60%

Targets are not published, as disclosure would provide an insight into the Zur Rose Group's forward-looking strategy and thus lead to a competitive disadvantage. The short-term variable compensation for the reporting year is paid in cash after approval by shareholders at the Annual General Meeting of Shareholders held the following year.

Long-term variable compensation (performance-based share plan)

The performance-based share plan is designed to enable selected executives of Zur Rose Group AG and its subsidiaries to participate in the Company's sustainable, long-term growth. The performance-based share plan was reviewed in 2019 with the assistance of hkp Deutschland GmbH and revised, as the performance criteria did not sufficiently reflect the current phase of dynamic growth in which Zur Rose finds itself. In the revised performance-based share plan, the performance criteria were concentrated on the dedicated growth strategy, and entrepreneurial focus encouraged by greater attention to the share price and the competition. In addition to revenue growth, relative Total Shareholder Return (TRS), i.e. the share price performance allowing for reinvested dividends over the three-year performance period is therefore measured, linking internal financial growth metrics with external financial data oriented to the capital markets and the competitive position. No changes were made to the performance-based share plan during the year under review.

The performance-based share plan

- supplements the short-term variable compensation component, which is based on the annual achievement of targets, with a long-term compensation component;
- helps align the interests of executives with those of shareholders;
- anchors the strategic growth targets in compensation; and
- is intended to be an attractive incentive instrument compared with competitors and to have a strong retention impact.

At the request of the Compensation and Nomination Committee, the Board of Directors determines the amount of individual grants for the financial year in Swiss francs depending on the role and the influence on long-term success and taking into account individual performance and strategic considerations. The amounts allocated in 2020 amount to 40 per cent of basic salary for the CEO and 35 to 43 per cent for the other members of the Group Management. Under this plan, two-thirds of the shares to be transferred are allocated to participants in Performance Share Units (PSUs) and one-third in Restricted Stocks. The entitlements are blocked for three years. The total amount granted to members of the Group Management for the grant year is approved by the shareholders at the General Meeting of Shareholders held the following year retrospectively for the grant year in accordance with the Articles of Association. In principle, if a participant joins during the year no entitlements are granted. However, the Board of Directors reserves the ability to make a reduced grant of entitlements, provided this remains within the limits of what is permitted by law and under the Articles of Association.

At the end of a performance period of three years (starting on 1 January of the reporting year and ending on 31 December three years later), after the General Meeting of Shareholders at which the annual financial statements for the last year of the performance period are approved, the performance shares are converted into shares. At that point, the number of shares to be transferred is calculated by multiplying the number of performance share units granted by the target achievement factor. The target achievement factor for the PSUs is based half on achieving the relative TSR and half on achieving the revenue objective. The target achievement factor is restricted to a lower limit of 0 and an upper limit of 2. The number of Restricted Stocks is not subject to a target achievement factor.

TSR refers to share price performance plus notionally reinvested gross dividends during the performance period. To calculate target achievement the TSR performance of Zur Rose is compared to the TSR performance of the companies in the STOXX® Europe 600 Retail and an individual peer group. The individual peer group comprises AO World, ASOS, boohoo, Delivery Hero, Delticom, Holiday-Check, Home24, Just Eat, Ocado, Scout24, Shop Apotheke, Spotify, trivago, Zalando and Zooplus. TSR performance is measured using one-month moving averages to smooth share price fluctuations around the reference date. The TSR performance of the companies in the STOXX® Europe 600 Retail and the individual peer group thus calculated are ranked in each group. The relative positioning of Zur Rose is determined using the ranking achieved. If the positioning of Zur Rose is on the median (50th percentile), this is equivalent to a target achievement factor of 1.0. If the positioning of Zur Rose is on the 25th percentile, the target achievement factor is 0.5; if below the 25th percentile, it is zero. If Zur Rose is on the 100th percentile or above, the target achievement factor is 2.0. Target achievement for rankings in between is calculated by linear interpolation. The total target achievement factor for relative TSR is then calculated applying a 50 per cent weighting to each target achievement factor from the comparison with the STOXX® Europe 600 Retail and with the individual peer group. The internal financial target is not disclosed. Disclosure of the target would provide an insight into the Zur Rose Group's forward-looking strategy and thus lead to a competitive disadvantage for the Group. After transfer, the shares are not subject to a vesting period and the members of Group Management may freely dispose of them.

Role	CEO	Other members of Group Management
Target	40% of basic annual salary	Between 35% and 45% of basic annual salary
Maximum opportunity	166% of target	166% of target

Instrument	Performance-based entitlements (PSUs)		Restricted Stocks One-third of allocation
	Two-third of allocation		
Performance condition	Relative TSR	Group revenue target	None
Purpose	Measures the relative three-year share price performance against an individual peer group (50%) and the STOXX® Europe 600 Retail (50%)	Measures the increase in revenue over three years compared to budget	Not subject to any target and hence amount remains unchanged
Weighting	50% of 2/3 of the allocation	50% of 2/3 of the allocation	1/3 of the allocation
Manner of payout	Target achievement factor 0% to 25 th percentile; Target achievement factor linear between 50% and 200% between the 25 th and the 100 th percentile; Target achievement factor 200% above the 100 th percentile	Target achievement factor linear between 0% and 200%	100% of the Restricted Stocks

In the event of a delisting, change of control or termination of employment due to disability or death of the participant(s), the performance share units are converted and transferred as shares within one month of notification. The performance share units are adjusted on a pro rata temporis basis and multiplied by a target achievement factor of 1. If employment is terminated by the Zur Rose Group for economic reasons or due to the participant reaching retirement age, the standard provisions regarding the conversion date and target achievement factor remain unchanged. However, the performance share units are adjusted on a pro rata temporis basis. In the event of termination of employment by the Zur Rose Group or a subsidiary without notice and for good cause, or in the event of termination of employment for reasons other than those mentioned above, the performance share units are forfeited without any compensation.

Pension benefits

The purpose of pension benefits is to provide security for employees and their dependants in the event of retirement, sickness, inability to work and death. The members of the Group Management participate in the social insurance and pension plans in the countries where their employment contracts were entered into. The plans vary according to local competition and legal conditions; they at least meet the legal requirements of the countries concerned.

Fringe benefits

Members of the Group Management also receive a company car as a fringe benefit. Its value is estimated at fair market value and included in the compensation tables. Any gifts or Board of Directors fees of subsidiaries are also included in this position.

Employment contracts

The members of the Group Management are employed under permanent employment contracts; they all have individual notice periods up to a maximum of 12 months. The members of the Group Management are not entitled to any contractual joining or severance payments or special change of control provisions, except for the early vesting of the long-term compensation plan as explained above. Under the Articles of Association of Zur Rose Group AG, employment contracts may contain competition and poaching bans up to a maximum of one year and specify compensation up to one year's salary.

4.2 Compensation paid to members of the Group Management in the 2020 financial year

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance).

In 2020, the members of the Group Management received total compensation of CHF 5,517,000 (2019: CHF 3,385,000). This amount includes fixed base salaries of CHF 2,435,000 (2019: CHF 1,799,000), short-term variable compensation of CHF 746,000 (2019: CHF 382,000), long-term compensation of CHF 1,386,000 (2019: CHF 620,000), fringe benefits of CHF 103,000 (2019: CHF 74,000) and pension benefits of CHF 847,000 (2019: CHF 510,000).

The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Group Management for 2020 financial year and the previous year 2019.

Group Management ¹⁾	Fixed compensation in cash		Variable compensation				Fringe benefits ³⁾		Pension benefits		Total ⁴⁾	
			Short-term in cash		Long-term in shares ²⁾							
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
In CHF 1,000 (gross)												
Total compensation of the Group Management	2,435	1,799	746	382	1,386	620	103	74	847	510	5,517	3,385
Of which: Walter Oberhänsli, CEO (highest total compensation)	600	600	201	96	240	240	35	36	261	247	1,337	1,219

1) On 31 December 2020, seven members of the Group Management were in office. Three new members joined during the year. On 31 December 2019, four members of the Group Management were in office.

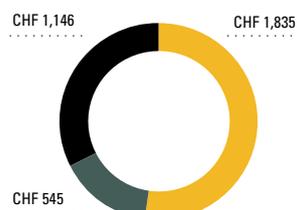
2) The nominal target value of the performance-based share plan allocated in 2020 for the 2020 to 2022 performance period and in 2019 for the 2019 to 2021 performance period. Including replacement payments in 2020 for a member of the Group Management in the form of blocked shares and additional blocked shares for a member of the Group Management depending on qualitative target achievement in 2021, due to expansion of the role within the Group Management.

3) Including all other compensation and benefits, such as company cars, expenses in connection with assignments, gifts and Board of Director's fees from subsidiaries.

4) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements.

EFFECTIVE COMPENSATION OF THE GROUP MANAGEMENT (EXCLUDING THE CEO)

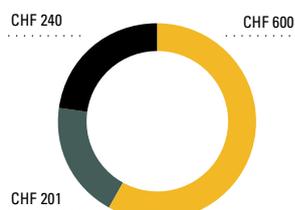
In CHF 1,000



Fixed basic annual salary
Short-term variable compensation
Long-term variable compensation

EFFECTIVE COMPENSATION OF THE CEO

In CHF 1,000



Fixed basic annual salary
Short-term variable compensation
Long-term variable compensation

Notes on the compensation table

The total compensation of the Group Management for 2020 was CHF 5,517,000. This is equivalent to a 63 per cent increase year-on-year, owing to the expansion of the Group Management from four to seven members. The fixed remuneration for members of the Group Management who had been members for the last two years was unchanged from the previous year.

At the operating level the Zur Rose Group has been extremely successful in a stressful pandemic situation. Action was taken early to protect employees' health and ensure customers were supplied with the medicines they needed at all times. Since the outbreak of the pandemic the company has seen consistently high acceptance of digital solutions and strong interest in e-commerce.

On the basis of the leading market position and offerings and digital services focused on customer needs, the Group increased revenue by 14.4 per cent in local currency terms to CHF 1,751.9 million including Medpex and Apotal (target achievement 146 per cent). This growth trend continued in all market segments: Switzerland, Germany and Europe. The operating result (EBITDA) was minus CHF 78.4 million. Non-recurring expenditure related to acquisitions and integrations, expenditure to combat the pandemic as well as the formation of a risk position in connection with an interim ruling in a VAT lawsuit reduced profit. Adjusted EBITDA came to minus CHF 31.2 million. EBIT was minus CHF 117.6 million (target achievement 0 per cent) and net income/(loss) minus CHF 135.6 million.

The measurement of short-term variable bonus payments is largely based on the development of revenue and EBIT at Group and regional level compared with the budget and on qualitative factors. Consequently, the percentage of target achievement of the bonus payment for 2020 ranges from 50 to 130 per cent (2019: 34 to 103 per cent for the Group Management and is 84 per cent (2019: 40 per cent) for the CEO.

The variable component of the fixed compensation for the reporting year corresponds to 62 to 154 per cent for the Group Management and 74 per cent for the CEO. The degree of target achievement of the short-term variable compensation for 2020 increased year-on-year and amounted to 85 per cent in the reporting year (previous year: 56 per cent). The effective short-term variable compensation for 2020 has been adjusted upwards accordingly.

STI variables	Minimum	Target (100%)	Maximum
Group financial targets			
Revenue			■
EBIT	■		
Individual targets			
Net working capital, cash flow, strategic initiatives, etc.			
Total		85%	

In the allocation of the performance-based share plan in 2020 (performance period 2020 to 2022), the members of the Group Management received an allocation value of CHF 971,000 in total. This is equivalent to 5,609 PSUs and 2,805 Restricted Stocks. The performance period for the PSUs ends on 31 December 2022, based on the trend in relative TSR and revenue between 2020 and 2022. The number of Restricted Stocks remains unchanged. Entitlements are only allocated if notice of termination of employment with Zur Rose has not been given on that date.

In 2020, one member of the Group Management was promoted to a larger role and received additional PSUs. Meeting set qualitative targets for 2021 is a condition subsequent for granting these PSUs. If these targets are only achieved in part, the allocation will be adjusted downwards by the extent of target achievement. In the event of a change of control these allocations will be converted and transferred in full. The entitlements will only expire in full if the employee has given good cause by their performance or conduct to terminate employment or has given notice of termination of employment without good cause; otherwise they will be converted and transferred in full.

In 2020, one member of the Group Management was granted a replacement payment in the form of blocked shares in compensation for allocations that expired due to the change of control to the Zur Rose Group.

For the payment of the performance-based share plan in 2020 (performance period 2017–2019), a revenue target achievement factor of 2.0 was achieved. The EBIT target achievement factor was zero. A total of 4,953 shares were paid out to members of the Group Management (including the CEO), worth CHF 784,555 at the time of transfer. This value was well above the allocation value as the share price had performed positively during the 2017–2019 performance period.

At the Annual General Meeting held on 23 April 2020, the shareholders approved a maximum total amount of the fixed compensation for the Group Management for the 2020 financial year worth CHF 3,400,000. This amount consists of the fixed basic salary, the fringe benefits and the pension benefits. The fixed compensation for the 2020 financial year granted to the Group Management and disclosed in the table above is within the maximum authorised total amount.

The variable compensation disclosed in the table above for the financial year 2020 communicated to the Group Management will be submitted to the 2021 Annual General Meeting of Shareholders for approval.

No compensation was paid to former members of the Group Management in the reporting year. No compensation was paid to parties closely associated with the members of the Group Management. A loan was granted to one member of the Group Management during the financial year. The total amount of loans outstanding on market terms to the members of the Group Management, Betül Susamis Unaran and Olaf Heinrich is CHF 541,725 as at 31 December 2020. There were no loans to related parties to members of the Group Management or former members of the Group Management that were not on market terms.

Information on the shares held by members of the Board of Directors and the Group Management can be found in the Financial Report on page 135.



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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 17 March 2021

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Zur Rose Group AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on page 61 and page 66 of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of Zur Rose Group AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Michael Britt
Licensed audit expert