

# Compensation Report

## Dear Shareholders

On behalf of the Compensation and Nomination Committee and the entire Board of Directors it is my pleasure to submit to you the Compensation Report 2021.

The Compensation Report describes the principles of compensation, the governance framework and the compensation systems of Zur Rose Group AG (“Zur Rose”) for the members of the Board of Directors and the Executive Board. It contains detailed information on compensation paid for the 2021 (the year under review). Furthermore we explain the current compensation policy and the decisions taken. This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange on 18 June 2021.

External revenue rose 15.5 per cent to CHF 2,034.0 million, meaning the Zur Rose Group met forecasts in the second year of the pandemic. Growth continued in all market segments: Switzerland, Germany and Europe. The number of active customers rose by more than 18 per cent year on year in 2021 to 12.4 million. To support the growth strategy, the Zur Rose Group is investing heavily in electronic prescriptions and high-margin future areas: the healthcare ecosystem, telemedicine and PaaS (Platform as a Service). As the European umbrella brand for the ecosystem and with a view to the mandatory launch of e-prescriptions originally set for the start of 2022, in February 2021 DocMorris started a large-scale marketing campaign in Germany on the theme “Das neue Gesund”. The OTC market stagnated because of the pandemic, so growth costs were higher, which had an impact on the margin and the marketing ratio. One-off expenses also affected the result, mainly in connection with acquisitions and restructurings. EBITDA adjusted for one-off effects came to minus CHF 128.9 million, putting it in line with expectations.

Over the course of the year the Compensation and Nomination Committee carried out its regular tasks in compensation matters, including the annual review of the compensation programmes, setting the performance targets for the Executive Board at the start of the year and assessing their performance at the year-end. In addition, it set the compensation of the members of the Board of Directors and the Executive Board, drafted the Compensation Report and prepared the “say on pay” votes at the General Meeting of Shareholders.

In particular, a review of the compensation of the Board of Directors was carried out in 2021 to determine how competitive it is in terms of structure and overall amount. The analysis revealed that the compensation structure was in line with standard market practice; the level of compensation, by contrast, was below the market median. Nevertheless, the level of compensation was not adjusted in 2021. The compensation structure and programmes of the Executive Board were also left unchanged in 2021.

At the General Meeting of Shareholders in 2022 we will submit the maximum total amount of fixed compensation for the Board of Directors and the fixed compensation for the Executive Board for 2023, plus the total amount of variable compensation for the Executive Board for 2021, to you for approval. In addition, you will have the opportunity to express your views on this Compensation Report in an advisory vote. When you read the report you will see that the compensation to the Board of Directors for 2021 was within the limits approved at the General Meeting of Shareholders in 2020. Owing to the two new additional members, the compensation to the Executive Board exceeded the amount approved under the Articles of Association currently in force.

At the General Meeting of Shareholders held on 29 April 2021 the Compensation Report 2020 received 80 per cent approval. Zur Rose took this result as an occasion to enter into an active dialogue with share-

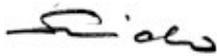
holders. The purpose was to understand and deal with the suggestions concerning the compensation policy and plans. In future we will continue to review whether our compensation programmes still fulfil their purpose in the constantly changing corporate environment. We maintain an open dialogue with our shareholders on how the compensation system may develop from here. Environmental, social and governance issues, known as ESG for short, are becoming increasingly important. As a way of underlining responsibility in these areas, we will include ESG targets in the compensation of the Executive Board from 2022 onwards.

This report contains all relevant information on the compensation of the Board of Directors and the Executive Board in 2021. Our compensation system makes it possible to reward performance in a way that is balanced and appropriate while at the same time upholding the interests of shareholders.

The Compensation Report describes the principles of compensation, the governance framework and the compensation systems of Zur Rose Group AG (“Zur Rose”) for the members of the Board of Directors and the Executive Board. It also contains detailed information on compensation paid for the 2021 (the year under review). This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange on 20 June 2019.

The Compensation and Nomination Committee enjoys receiving your ongoing comments and feedback on our management compensation programmes and hopes this report will provide you with a great deal of information. We look forward to your support and feedback at the General Meeting of Shareholders in April 2022.

Yours



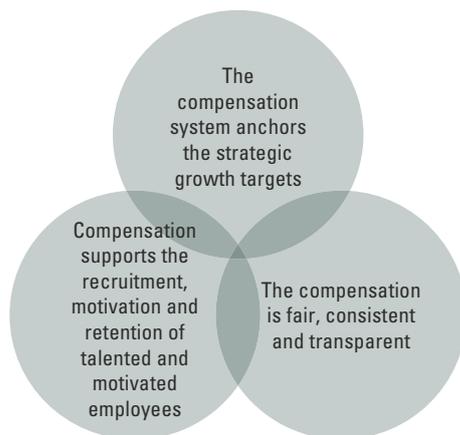
Dr. Thomas Schneider  
Chair of the Compensation and Nomination Committee

## 1 Principles

### 1.1 Principles of the compensation of the Executive Board

The value and success of Zur Rose largely depend 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' long-term interests.

The compensation system is based on the following principles:



### 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 the Executive Board. First, the shareholders annually approve the maximum total amounts of compensation for the members of the Board of Directors and the Executive Board. In addition, the principles governing compensation are defined in the Articles of Association, which are also subject to the approval of 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 Executive Board for the following financial year, and the variable compensation of the Executive Board for the preceding financial year.

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

*Principles of compensation of the members of the Board of Directors and the Executive Board (Art. 27):* The compensation of the non-executive members of the Board of Directors consists of fixed and 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 Executive Board 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 the Executive Board may be granted on market conditions. The total amount of such outstanding loans and credits may not exceed the total annual compensation of that member.

In addition, the Compensation Report is submitted to the shareholders for an advisory vote to allow them to express their opinion on the compensation policy and the compensation programmes.

## 2.2 Compensation Committee

The Articles of Association specify that the Compensation and Nomination Committee consists of three members of the Board of Directors, each elected individually every year by the General Meeting of Shareholders. It 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 regarding the compensation of the Board of Directors and the Executive Board. It also makes recommendations regarding the appointment of members of the Board of Directors and Executive Board for the attention of the Board of Directors.

### LEVELS OF RESPONSIBILITY

Decision on:	CEO	CoB	CNC	Board of Directors	General Meeting of Shareholders
Compensation policy, including structuring of variable compensation			Recommends	Approves	
Performance criteria for the compensation of the members of the Executive Board	Recommends		Proposes	Approves	
Maximum total compensation of the Board of Directors and Executive Board			Recommends	Proposes	Approves (binding vote)
Individual compensation Chairman			Proposes	Approves	
Performance assessment and individual compensation CEO		Recommends	Proposes	Approves	
Individual compensation of the members of the Board of Directors			Proposes	Approves	
Performance assessment and individual compensation of the members of the Executive Board (excluding the CEO)	Recommends		Proposes	Approves	
Compensation Report			Recommends	Approves	Advisory vote

CEO = Chief Executive Officer, CoB = Chairman of the Board, CNC = Compensation and Nomination Committee

Since the 2021 General Meeting of Shareholders, the Compensation and Nomination Committee has comprised Dr. Thomas Schneider as chair plus Prof. Stefan Feuerstein and Florian Seubert as members. The members of the Compensation and Nomination Committee 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 Compensation and Nomination Committee 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 Compensation and Nomination Committee 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 Executive Board may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The Compensation and Nomination Committee meets at least twice a year. In 2021 it held five meetings and considered, amongst other things, the recurring agenda items mentioned above. The meetings lasted 1.5 hours on average and all members took part in all meetings.

The Compensation and Nomination Committee may engage the services of an external consultant in compensation matters from time to time. In 2020, hkp Deutschland GmbH were appointed to carry out a benchmarking exercise for the compensation of the Executive Board. This firm holds other appointments from the Zur Rose Group. In addition, in 2021 Agnès Blust Consulting AG were appointed to carry out a benchmarking exercise for the compensation of the Board of Directors. This firm holds no other appointments from the Zur Rose Group. The Compensation and Nomination Committee may 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**

### **Benchmarking of the Executive Board**

Every two to three years the Compensation and Nomination Committee benchmarks the compensation of Executive Board 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 Executive Board was carried out in 2021, to determine how competitive it is in terms of structure and overall amount. The peer group consists of AO World, APG SGA, Arbonia, Ascom, Bobst Group, Bossard, Burckhardt, Burkhalter, Comet, Conzetta, 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 Compensation and Nomination Committee used the peer group data as a basis to analyse the compensation of the CEO and the Executive Board and to set the target compensation of the individual members of the Executive Board for the year under review.

### **Performance management process**

The actual compensation of the individual members of the Executive Board 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.

### **Benchmarking of the Board of Directors**

Every two to three years the compensation of the Board of Directors is compared with standard practice at other Swiss companies. An in-depth review of the compensation of the Board of Directors was carried

out in 2021 to determine how competitive it is in terms of structure and overall amount. To gain a full overview of market practice, a peer group was created of 23 Swiss companies of similar size in terms of market capitalisation, income and headcount. The analysis revealed that the compensation structure was in line with standard market practice; the level of compensation, by contrast, was slightly below the market median. The level of compensation was not adjusted in 2021.

**Peer group**

Also	Belimo	Bossard	Bucher Industries	Bystronic
Dätwyler	Dormakaba	Emmi	Forbo	Galenica
Inficon	Interroll	Landis+Gyr	LEM	Medacta
OC Oerlikon	Schweiter Technologies	SFS Group	Siegfried	Stadler Rail
Sulzer	Tecan	Ypsomed		

Following the review of the compensation of the Board of Directors, the Compensation and Nomination Committee also reviewed compensation at subsidiary BlueCare.

### 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 Executive Board. Board members therefore receive a fixed base fee for their services for each term of office, which is not discretionary. The basic compensation (retainer) is paid 70 per cent in cash and 30 per cent in 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 the function (chair, vice-chair or member) and memberships and functions in the Board's committees. 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
Chair	300	210	90
Vice Chair	130	91	39
Director	100	70	30

The following compensation is paid solely in cash for serving on committees:

In CHF 1,000 (gross p.a.)	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 Executive Board 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. In all other instances the shares remain blocked. 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 Zur Rose pension plan.

No additional outlays were incurred for individual members of the Board during the year under review.

### 3.2 Compensation paid to the Board of Directors in 2021

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

For 2021, the members of the Board of Directors received fixed basic compensation of CHF 805,000 (2020: CHF 845,000), compensation of CHF 83,000 for serving on committees (2020: CHF 74,000) and social security contributions of CHF 49,000 (2020: CHF 51,000). Of the total compensation of CHF 937,000 (2020: CHF 970,000), CHF 224,000 (2020: CHF 264,000) was awarded in the form of shares with a vesting period of three years. The fixed compensation 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 2021.

Name, function <sup>1)</sup>	Fixed gross compensation in cash		Fixed gross compensation in shares		Committee fee in cash		Social security contributions		Total <sup>2) 3)</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1,000 CHF										
Prof. Stefan Feuerstein (Chairman)	210	210	81	95	–	–	17	22	308	327
Dr. Thomas Schneider (Vice Chairman)	91	91	35	41	20	20	8	11	154	163
Prof. Dr. Volker Amelung (Director) <sup>4)</sup>	70	70	27	32	34	34	10	10	141	146
Prof. Dr. Andréa Belliger (Director) <sup>4)</sup>	47	–	18	–	9	–	5	–	79	–
Tobias Hartmann (Director)	23	70	9	32	–	–	–	–	32	102
Dr. Christian Mielsch (Director)	70	70	27	32	10	10	–	–	107	112
Florian Seubert (Director)	70	70	27	32	10	10	8	8	115	120
<b>Non-Executive Directors</b>	<b>581</b>	<b>581</b>	<b>224</b>	<b>264</b>	<b>83</b>	<b>74</b>	<b>49</b>	<b>51</b>	<b>937</b>	<b>970</b>
Walter Oberhänsli (Executive Director and CEO)	–	–	–	–	–	–	–	–	–	–
<b>Board of Directors</b>	<b>581</b>	<b>581</b>	<b>224</b>	<b>264</b>	<b>83</b>	<b>74</b>	<b>49</b>	<b>51</b>	<b>937</b>	<b>970</b>

1) As at 31 December 2021 and 31 December 2020, seven members of the Board of Directors were in office. Tobias Hartmann stepped down at the Annual General Meeting of Shareholders on 29 April 2021. At the same time, Andréa Belliger was elected to the Board. The previous year's members were re-elected to the Board at the Annual General Meeting of Shareholders on 23 April 2020.

2) The relevant fair value on the day of allocation of CHF 304.00 (2020: CHF 158.40) per share is the closing price that day on the Swiss stock exchange; this may differ slightly from the contractually determined amount of the fee in shares because the number of shares allocated under the share-based fee is set using the volume-weighted average daily closing price for the 20 days prior to the allocation of the shares.

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 fees for Prof. Dr. Volker Amelung and Prof. Dr. Andréa Belliger include a director's fee for a subsidiary amounting to CHF 14,000 and CHF 9,333 respectively (pro rated).

At the Annual General Meeting held on 23 April 2020, the shareholders approved a maximum total amount of the fixed compensation for the Board of Directors for 2021 worth CHF 1,000,000. The compensation for 2021 granted to the Board of Directors and disclosed in the table above is within the maximum authorised total amount.

#### Compensation to former members of the Board of Directors and loans

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 Executive Board

### 4.1 Compensation Structure

The compensation system for the Executive Board 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 Executive Board 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 Executive Board. The individual compensation of the members of the Executive Board 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 Executive Board 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 basic annual salary	Recruitment, retention, motivation	Cash compensation	–	–	Position, qualification, market rates
Short-term variable compensation	Rewarding performance	In cash	Revenue, EBIT, individual targets	1 year	Financial result and qualitative performance
Long-term variable compensation	Rewarding sustainable value creation, Alignment with shareholders' interests	Shares (2/3 in performance share units and 1/3 in restricted stock units)	Revenue growth, 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 basic annual salary

Base salaries are determined in line with 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 Executive Board. Payment is made monthly in cash. To ensure market competitiveness the basic salaries of the Executive Board are reviewed regularly, taking into account the Company's income, the results of the peer group analysis, market performance, the economic environment and personal performance.

#### Short-term variable compensation

Short-term variable compensation is a performance bonus that recognises both the Group's financial performance and 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 perfor-

mance. The target value of short-term variable compensation is expressed as a percentage of annual base salary and is 46 per cent for the CEO and between 33 and 45 per cent for the other members of the Executive Board. The performance bonus can be a total of zero up to a maximum of 150 per cent of the target value.

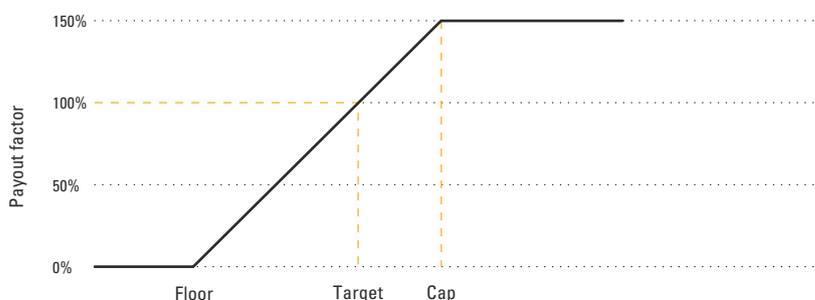
The targets established by the CEO are set by the Board of Directors at the beginning of each year at the request of the Compensation and Nomination Committee and assessed at the end of the financial year based on the actual results achieved. To measure the short-term variable components, the financial targets of the Group or segments may be between 40 and 60 per cent and individual targets between 40 and 60 per cent.

The financial metrics during the year under review continued to be revenue and earnings targets. These 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. The basis for measuring the short-term variable components was 50 per cent revenue and income targets of the Group and 50 per cent individual targets.

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 Executive Board.

Overview of performance targets and their weighting for the CEO and the other members of the Executive Board

		<b>Targets</b>	<b>Weighting</b>
Short-term variable compensation	Financial targets	Revenue (Group)	30%
		EBIT (Group)	20%
	Individual targets	Inc. net working capital, segment targets, strategic initiatives	50%



Targets are not published, as disclosure would provide an insight into the Zur Rose’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 and its subsidiaries to participate in the Company's sustainable, long-term growth. In the performance-based share plan, the performance criteria are concentrated on the dedicated growth strategy, and entrepreneurial focus directed to the share price and the competition. In addition to revenue growth, relative Total Shareholder Return (TSR), 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

- (a) supplements the short-term variable compensation component, which is based on the annual achievement of targets, with a long-term compensation component;
- (b) helps align the interests of executives with those of shareholders;
- (c) anchors the strategic growth targets in compensation;
- (d) 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 2021 amount to 43 per cent of basic salary for the CEO and 33 to 54 per cent for the other members of the Executive Board. 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 Stock Units. The entitlements are blocked for three years. The total amount in Swiss francs granted to members of the Executive Board 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.

<b>Role</b>	<b>CEO</b>	<b>Other members of the Executive Board</b>
<b>Target</b>	43% of basic annual salary	Between 33% and 54% of basic annual salary
<b>Maximum opportunity</b>	166% of target	166% of target

**Conditions of transfer**

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 share units 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 stock units (RSUs) is not subject to a target achievement factor.

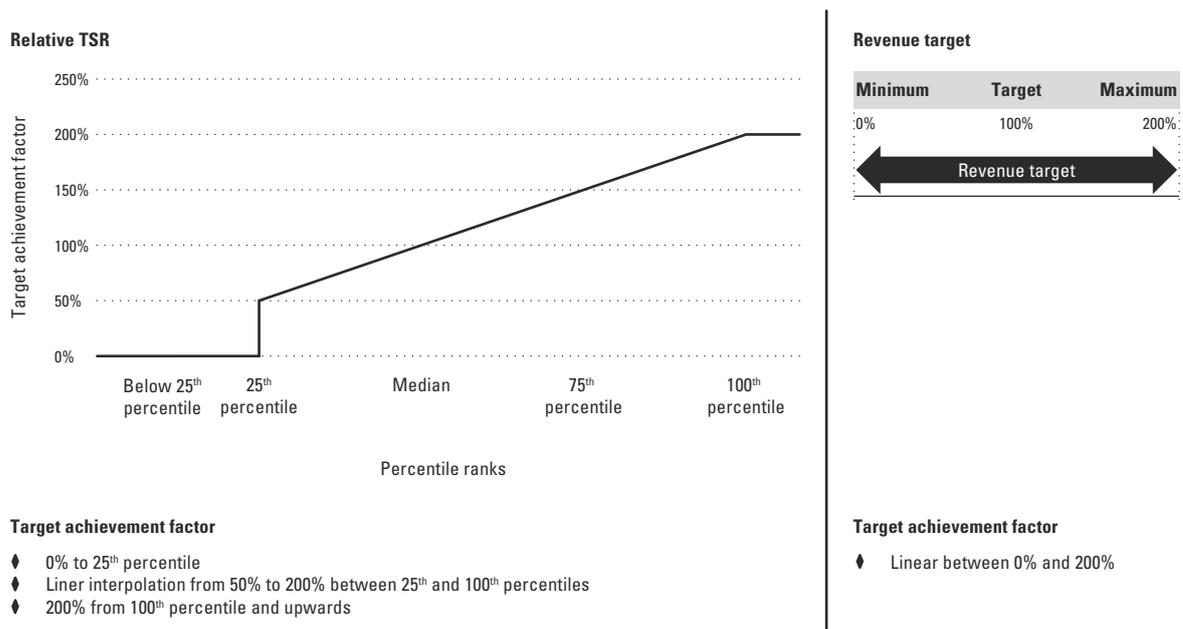
TSR refers to share price performance plus notionally reinvested gross dividends during the performance period. To calculate target achievement, the TSR performance of Zur Rose is compared to the TSR performance of the companies in the STOXX® Europe 600 Retail and an individual peer group. The individual peer group comprises AO World, ASOS, boohoo, Delivery Hero, Delticom, HolidayCheck, Home24, Just Eat, Ocado, Scout24, Shop Apotheke Europe, 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 (50<sup>th</sup> percentile), this is equivalent to a target achievement factor of 1.0. If the positioning of Zur Rose is on the 25<sup>th</sup> percentile, the target achievement factor is 0.5; below the 25<sup>th</sup> percentile it is zero. If Zur Rose is positioned on or above the 100<sup>th</sup> percentile, 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<sup>®</sup> 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 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 the Executive Board may freely dispose of them.

Instrument	<b>Performance-based entitlements (PSUs) Two-third of allocation</b>		<b>Unconditional entitlements (RSUs) One-third of allocation</b>
<b>Purpose</b>	Measures the relative three-year share price performance against an individual peer group (50%) and the STOXX <sup>®</sup> Europe 600 Retail (50%)	Measures the increase in revenue over three years compared to budget based on growth	Not subject to any target and hence amount remains unchanged
<b>Weighting</b>	50% of 2/3 of the allocation	50% of 2/3 of the allocation	1/3 of the allocation
<b>Performance condition</b>	Relative TSR	Revenue target	None
<b>Other condition</b>	Notice of termination of employment not given during the vesting period		

**Payment arrangements**

At the time of transfer, the performance of the relative TSR and the percentage revenue growth are measured and set in line with the two payment factors as follows:



In the event of a delisting, acquisition of the majority of the shares or winding up of Zur Rose, for whatever reason, the plan will be terminated early by the Board of Directors and all performance share units allocated converted and transferred, pro rata to the starting year.

In the event of termination of employment due to the disability or death of the participant, the performance share units allocated will be converted within one month of notification and transferred as shares, provided the allocation thereof has already been approved by the General Meeting of Shareholders. Performance share units that have not yet been approved by the General Meeting of Shareholders will not be converted and transferred as shares until the General Meeting of Shareholders has given its approval. The performance share units are adjusted on a pro rata temporis basis and multiplied by a target achievement factor of 1.0.

If employment is terminated by Zur Rose or a subsidiary without the participant having given any grounds for termination by their performance or conduct or because they have reached 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. The same applies in the event of termination of the participant's employment for cause.

If employment is terminated by Zur Rose or a subsidiary because the participant having given any grounds for termination by their performance or conduct or for cause or is terminated by the participant without cause, the performance share units are forfeit without compensation.

#### **Anti-hedging and anti-pledging provisions**

Entitlements granted under the plan are not tradable and may not be assigned, pledged or transferred except under a will or testamentary dispositions. Hedging against price risks is also forbidden.

#### **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 Executive Board 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. Members of the Executive Board with a Swiss employment contract are members of the Zur Rose pension plans open to all employees in Switzerland. These comprise a basic pension from the ALSA PK collective foundation, which insures salaries up to CHF 129,060 per year, plus a supplementary pension (1e pension) from the PensFlex collective foundation, which insures basic salaries above this limit up to the legally permitted maximum. Members of the Executive Board with a foreign employment contract receive pension insurance commensurate with the market and their position.

#### **Fringe benefits**

Members of the Executive Board also receive expenses in line with the expenses regulations and a company car as a fringe benefit. Other benefits may be provided as part of international assignments (including tax compensation). The 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 Executive Board are employed under permanent employment contracts; they all have individual notice periods up to a maximum of 12 months. The members of the Executive Board 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, 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 Executive Board in 2021**

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

In 2021, the members of the Executive Board received total compensation of CHF 6,131,000 (2020: CHF 5,253,000). This amount includes fixed base salaries of CHF 2,982,000 (2020: CHF 2,435,000), short-term variable compensation of CHF 747,000 (2020: CHF 746,000), long-term compensation of CHF 1,393,000 (2020: CHF 1,386,000), fringe benefits of CHF 190,000 (2020: CHF 103,000) and pension benefits of CHF 819,000 (2020: CHF 583,000).

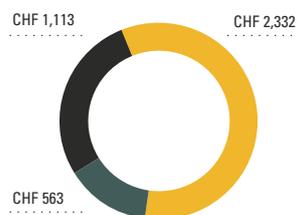
The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Executive Board for 2021 and 2020.

Executive Board <sup>1)</sup>	Variable compensation												Total	
	Fixed compensation in cash		Short-term in cash		Long-term in shares <sup>2)</sup>				Fringe benefits <sup>3)</sup>		Pension benefits <sup>4)</sup>			
	2021	2020	2021	2020	PSU		RSU		2021	2020	2021	2020	2021	2020
In CHF 1,000 (gross)	2,982	2,435	747	746	829	647	564	739	190	103	819	583	6,131	5,253
Total compensation of the Executive Board	2,982	2,435	747	746	829	647	564	739	190	103	819	583	6,131	5,253
Of which: Walter Oberhänkli, CEO (highest total compensation)	650	600	184	201	187	160	93	80	34	35	191	188	1,339	1,264

- 1) On 31 December 2021, eight members of the Executive Board were in office. One new member joined during the year. On 31 December 2020, seven members of the Executive Board were in office, three of whom had joined during the year.
- 2) The nominal target value of the performance-based share plan allocated in 2021 for the 2021 to 2023 performance period and in 2020 for the 2020 to 2022 performance period. Including replacement payments in 2020 for a member of the Executive Board in the form of entitlements and additional entitlements for a member of the Executive Board depending on qualitative target achievement in 2021, due to expansion of the role within the Executive Board.
- 3) Including all other compensation and benefits, such as company cars, expenses in connection with assignments, and director's fees from subsidiaries.
- 4) Includes social security contributions where they result in a pension entitlement. Additional amounts that do not result in an increased pension entitlement are not included (additional amounts not included in the above amount in 2021: CHF 323,141, of which CHF 79,809 relate to the CEO; in 2020: CHF 264,676, of which CHF 73,443 relate to the CEO). The calculation method was changed during the year and the prior-year amount restated accordingly to allow comparability.

**EFFECTIVE REMUNERATION OF THE EXECUTIVE BOARD (EXCLUDING THE CEO)**

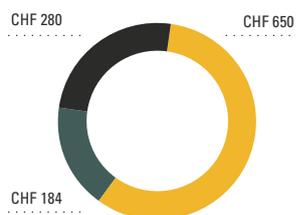
In CHF 1,000



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

**EFFECTIVE REMUNERATION 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 Executive Board for 2021 was CHF 6,131,000. This is equivalent to a 17 per cent increase year-on-year, owing to the expansion of the Executive Board from seven to eight members.

**Payment of short-term variable compensation**

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 2021 ranges from 41 to 100 per cent (2020: 50 to 130 per cent) for the Executive Board and is 61 per cent (2020: 84 per cent) for the CEO.

The variable component of the fixed compensation for the year under review corresponds to 55 to 165 per cent for the Executive Board and 71 per cent for the CEO. The degree of target achievement of the short-term variable compensation for 2021 decreased year-on-year and amounted to 65 per cent in the year under review (previous year: 85 per cent). The effective short-term variable compensation for 2021 has been adjusted downwards accordingly.

STI variables	Minimum	Target (100%)	Maximum
<b>Group financial targets</b>			
Revenue		■	
EBIT	■		
<b>Individual targets</b>			
Net working capital, cash flow, strategic initiatives, etc.			
<b>Total</b>		<b>65%</b>	

**Conversion of long-term variable compensation**

In the allocation of the performance-based share plan in 2021 (performance period 2021 to 2023), the members of the Executive Board received an allocation value of CHF 1,243,000 in total. This is equivalent to 2,535 PSUs and 1,276 RSUs. The performance period for the PSUs ends on 31 December 2023, based on the trend in relative TSR and revenue between 2021 and 2023. The number of RSUs remains unchanged. Entitlements are only allocated if notice of termination of employment with Zur Rose has not been given on that date.

For the payment of the performance-based share plan in 2021 (performance period 2018 to 2020), a revenue target achievement factor of 2.0 was achieved. The EBIT target achievement factor was zero. A total of 6,313 shares were paid out to members of the Executive Board (including the CEO), worth CHF 1,919,152 at the time of transfer. This value was well above the allocation value as the share price had performed positively during the 2018 to 2020 performance period.

**Transfer of entitlements granted in previous years subject to performance conditions**

The final transfer amount of entitlements granted under the 2019 performance-based share plan (performance period 2019 to 2021) at the end of 2021 in shares to be transferred based on the TSR ranking of Zur Rose compared to the peer group was 156 per cent.

Year allocated	Year converted	Transfer amount in per cent <sup>1</sup>
2019	2021	156%
2020	2022	Outstanding <sup>2</sup>
2021	2023	Outstanding <sup>2</sup>

1) Transfer amount of the PSU granted. Members of the Executive Board who join after the corresponding performance-based share plans have been allocated are not entitled to take part in these allocations.

2) The performance period is not yet over. The percentage transfer amount of the PSUs granted is available after the performance period.

At the Annual General Meeting held on 23 April 2020, the shareholders approved a maximum total amount of fixed compensation for the Executive Board for 2021 of CHF 3.7 million. This amount consists of the fixed basic salary, the fringe benefits and the pension benefits. The total compensation of CHF 4.5 million paid to the Executive Board in 2021 exceeds the maximum total amount of CHF 3.7 million approved for 2021 by the shareholders at the Annual General Meeting of Shareholders in 2020. This is due to the fact that two new members were appointed to the Executive Board in 2021 and one member was promoted within it. Under the Articles of Association the Board of Directors may grant a supplementary amount of up to 50 per cent of the last total amounts of compensation approved for the Executive Board for members newly appointed to the Executive Board or promoted within the Executive Board.

This supplementary amount under the Articles of Association for new members is CHF 1.85 million. For the new members of the Executive Board Emanuel Lorini, who was appointed Head Switzerland with effect from 1 January 2021, and Madhu Nutakki, who was appointed Chief Technology Officer with effect from 1 August 2021, and for Walter Hess, who with effect from 1 December 2020 was promoted within the Executive Board to Head Germany, CHF 41,000 was first allocated until the approved maximum total amount of CHF 3.7 million was exhausted, and then a total of CHF 833,000 was allocated, of which CHF 395,000 went to Emanuel Lorini, CHF 314,000 to Madhu Nutakki, and CHF 124,000 to Walter Hess.

The variable compensation to the Executive Board for 2021 disclosed in the table above will be submitted to the 2022 Annual General Meeting of Shareholders for approval.

#### **Compensation to former members of the Executive Board and loans**

During the year under review compensation of CHF 857,000 including a locally required statutory severance payment was paid to a former member of the Executive Board. No compensation was paid to parties closely associated with the members of the Executive Board. No loans were granted to members of the Executive Board during the year. The total amount of loans outstanding on market terms to members of the Executive Board as at 31 December 2021 was CHF 566,725. The largest outstanding loan that has been granted is to Betül Susamis Unaran as Chief Strategy and Digital Officer and amounted to CHF 341,725 as at 31 December 2021. There were no loans to related parties to members of the Executive Board or former members of the Executive Board that were not on market terms.

#### **Share ownership**

Information on the shares held by members of the Board of Directors and the Executive Board can be found in the Financial Report on page 136.



Ernst & Young Ltd  
Maagplatz 1  
P.O. Box  
CH-8010 Zurich

Phone: +41 58 286 31 11  
Fax: +41 58 286 30 04  
www.ey.com/ch

To the General Meeting of  
Zur Rose Group AG, Steckborn

Zurich, 23 March 2022

## 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 2021. 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 63 and page 69 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 2021 of Zur Rose Group AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Jolanda Dolente  
Licensed audit expert  
(Auditor in charge)

Michael Britt  
Licensed audit expert