

Annual General Meeting on 8 June 2021

ITEM 6

Gigaset AG

System of Compensation for Members of the Executive Board, conforming to the German Stock Corporation Act (AktG) Section 87a

A. Introduction

The system for compensating members of the Executive Board has a clear and understandable structure. It conforms to the requirements of the German Stock Corporation Act as amended in the Act Implementing the Second Shareholder Rights Directive (ARUG II) of December 12, 2019 (Federal Law Gazette, part I 2019, No. 50).

The Supervisory Board will apply the compensation system to all employment agreements with members of Gigaset AG's Executive Board that are first made or are amended or renewed after two months have passed since the compensation system was first approved by the Annual General Meeting (AktG Section 87a [2] sentence 1, Introductory Act to the Stock Corporation Act [EGAktG] Section 26j [1]).

The employment agreements currently in effect with members of the Executive Board will not be affected, as a rule. The Supervisory Board reserves the right to adapt these to the new compensation system by mutual agreement with the Executive Board members.

B. Details of the compensation system

I. Maximum Compensation (AktG Section 87a [1] sentence 2 item 1)

The total compensation paid to Executive Board members for any financial year (sum total of all compensation amounts spent by the company for members of the Executive Board for a financial year, including annual base salary, variable compensation components, fringe benefits, and pension expenses) is subject to absolute limits ("**Maximum Compensation**"), regardless of which financial year a given compensation element is paid in.

The Maximum Compensation is €550,000 for ordinary Executive Board members and €650,000 for the CEO.

II. Contributory effect of compensation on advancing the company's business strategy and long-term growth (AktG Section 87a [1] sentence 2 item 2)

The compensation system supports the strategic orientation of Gigaset AG and the Group it leads (referred to collectively as Gigaset) to assert its leading role in its core business area of telephones and to generate long-term profitable growth by increasing market share in the innovation-dominated growth fields of smartphones and smart home and professional products.

The compensation system creates incentives to advance this business strategy:

The short-term variable compensation component (short-term incentive, or STI) is partially determined (50% to 75%) using financial performance criteria (an earnings metric [selected from EBIT, EBITDA, or EBIT margin], free cash flow, and revenues); this supports focusing on increasing profitability, freely available liquidity, and appropriate revenue development. The rest of the STI (25% to 50%) is determined using operating targets set annually by the Supervisory Board with special significance for strategic corporate planning, such as major projects.

The long-term variable compensation component (long-term incentive, or LTI), which is offered annually and seeks to achieve long-term targets within a four-year performance period, is

Gigaset

primarily geared toward achieving strategic multi-year targets, along with non-financial targets in the area of Environmental, Social, and Governance (ESG). By the multi-year targets it sets, the Supervisory Board can particularly create incentives for the successful strategic transformation of Gigaset as part of the “Gigaset 2025” vision and beyond. The relevant non-financial ESG targets represent a continuation of long-term corporate development in the interest of all stakeholders of Gigaset AG (for instance, by factoring in a high level of employee satisfaction) consistent with the company’s sustainability strategy.

The introduction of a Share Ownership Guideline additionally reinforces the compensation system’s orientation towards long-term and sustainable value growth in the company.

Long-term successful implementation of the business strategy largely depends on acquiring and retaining qualified executives for Gigaset AG management. This compensation system lays out a structural framework that makes it possible for the Supervisory Board to have such a personnel policy that is geared to the company’s interest and for the individual members of the Executive Board to receive appropriate compensation.

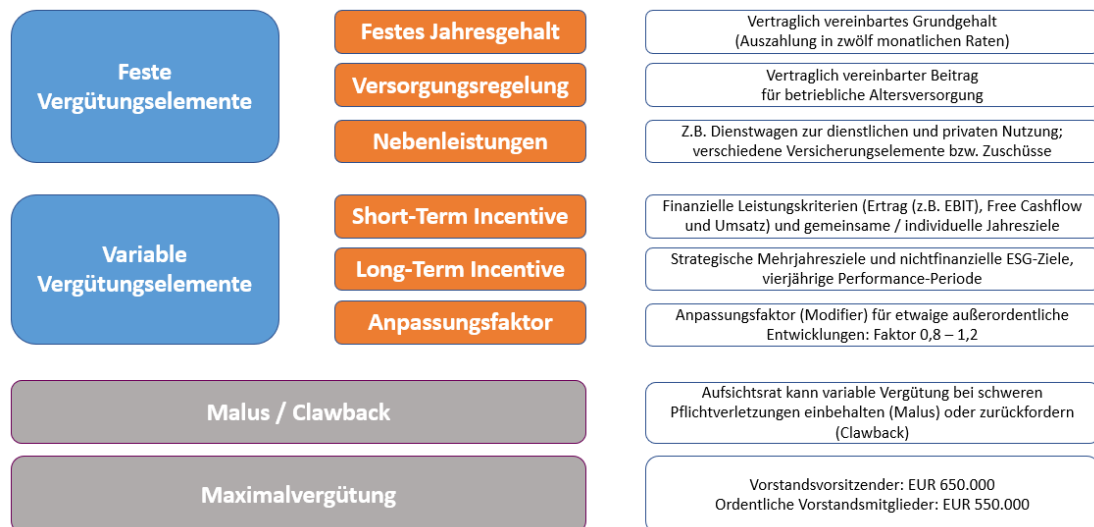
III. Compensation components and performance criteria for variable compensation components (AktG Section 87a [1] sentence 2 items 3 and 4)

1. Summary of the compensation components and their relative share of total target compensation

Executive Board member compensation is composed of fixed and variable compensation components. The fixed components of Executive Board member compensation consist of a fixed annual salary, pension benefits, and various fringe benefits.

The variable compensation based on short-term annual targets (short-term incentive, or STI) and the variable compensation with a long-term orientation (long-term incentive, or LTI) are provided as variable compensation components.

Major elements of Executive Board compensation



Legende:	
Feste Vergütungselemente	Fixed compensation elements
Variable Vergütungselemente	Variable compensation elements
Festes Jahresgehalt	Fixed annual salary
Versorgungsregelung	Pension arrangements

Gigaset

Nebenleistung	Fringe benefits
Anpassungsfaktor	Adjustment factor
Malus / Clawback	Penalty/Clawback
Maximalvergütung	Maximum Compensation
Vertraglich vereinbartes Grundgehalt (Anzahlung in zwölf monatlichen Raten)	Contractually agreed base salary (paid in twelve monthly installments)
Vertraglich vereinbarter Beitrag für betriebliche Altersversorgung	Contractually agreed contribution to company retirement plan
z.B. Dienstwagen zur dienstlichen und privaten Nutzung: verschiedene Versicherungselemente bzw. Zuschüsse	E.g., company car for business and personal use, various insurance elements and allowances
Finanzielle Leistungskriterien (Ertrag (z.B. EBIT), Free Cashflow und Umsatz) und gemeinsame / individuelle Jahresziele	Financial performance criteria (earnings [e.g., EBIT], free cash flow, and revenues), and shared/individual annual targets
Strategische Mehrjahresziele und nicht finanzielle ESG-Ziele, vierjährige Performance-Periode	Strategic multi-year targets and non-financial ESG targets, four-year performance period
Anpassungsfaktor (Modifier) für etwaige außerordentliche Entwicklungen: Faktor 0,8 – 1,2	Adjustment factor (modifier) for possible extraordinary developments: factor 0.8 to 1.2
Aufsichtsrat kann variable Vergütung bei schweren Pflichtverletzungen einbehalten (Malus) oder zurückfordern (Clawback)	In case of serious violations, the Supervisory Board can withhold variable compensation (penalty) or demand that it be repaid (clawback)
Vorstandsvorsitzender: EUR 650.000	CEO: €650,000
Ordentliche Vorstandsmitglieder: EUR 550.000	Ordinary Executive Board members: €550,000

Fixed compensation components (annual salary, fringe benefits, pension contributions) account for approx. 45% to approx. 83% of the target total compensation, with fringe benefits constituting approx. 5% to approx. 10% and pension contributions up to approx. 2% of target total compensation. Variable compensation components account for approx. 17% to approx. 55% of target total compensation. STI makes up approx. 7% to approx. 22% and LTI makes up approx. 10% to approx. 33% of target total compensation, with LTI's share of target total compensation exceeding STI's by 50%.

2. Fixed compensation components

2.1 Fixed annual salary

Executive Board members receive a fixed annual salary in 12 monthly installments payable at the end of each calendar month.

2.2 Pension arrangements

For the benefit of Executive Board members, the company provides a fixed amount (defined in each Executive Board member's employment agreement) as an employer-financed company

retirement plan; it is paid to an external pension provider on the basis of a contribution-based plan (for instance, under a direct-insurance scheme). The contribution amount is limited to approx. 2% of target total compensation. Other details are set forth in the Executive Board member's employment agreement and/or a separate pension commitment.

In a different arrangement for the benefit of Mr. Weßing, there is a direct commitment structured on the basis of a contractual trust arrangement (CTA) and based on the transfer of Siemens AG's previous company retirement plan (BSAV). The company funds the associated pension account with annual contributions of €7,000. Mr. Weßing also has the right to contribute the full amounts of the variable compensation payment (STI and/or LTI) respectively to the direct commitment. On leaving, moreover, Mr. Weßing is entitled to a transitional allowance (taking into account the company retirement benefits) for a period of six months, as specified in a previous Siemens AG company guideline that also applies to Mr. Weßing under the terms of the enterprise transfer. The pension arrangements named above for Mr. Weßing can also be continued in the event of possible future contract modification or renewal.

2.3 Fringe benefits

Members of the Executive Board also receive contractually defined fringe benefits. The company provides an appropriate company car, including for personal use, to each Executive Board member. In addition, it provides up to 50% of the premiums paid for private health and long-term care insurance (limited to the employer allowance that would apply if the Executive Board member were covered by statutory health and long-term care insurance). Financial-damage liability insurance (D&O insurance) with the legally specified deductible is also in place for the members of the Executive Board, as well as accident insurance.

3. Variable compensation components

The variable compensation components and their applicable performance criteria are shown below, with notes on how they fit with the business strategy and long-term growth of the company. The methods for evaluating the achievement level of the performance criteria are also discussed.

The variable compensation components consist of variable compensation with short-term targets (short-term incentive, or STI) and variable compensation with a long-term incentive effect (long-term incentive, or LTI).

3.1 Short-Term Incentive (STI)

Members of the Executive Board receive the STI as a variable compensation element with a one-year assessment period. The Executive Board member's employment agreement defines the STI that is payable on 100% achievement of the target ("STI Target Amount").

50% to 75% of the STI payment depends on three financial performance criteria (an earnings metric [selected from EBIT, EBITDA, or EBIT margin – the "**Earnings KPI**"], free cash flow, and revenues), with 25% to 50% depending on reaching annual operating targets with strategic significance for company growth. In addition, the Supervisory Board can use a modifier (factor 0.8 to 1.2) to account for any unusual developments (see **Fehler! Verweisquelle konnte nicht gefunden werden.** below).

The total financial performance criteria are weighted from a minimum of 50% to a maximum of 75% (Earnings KPI 10% to 30%; free cash flow 10% to 30%, revenues 10% to 30%), and annual targets with strategic significance are weighted from a minimum of 25% to a maximum of 50%. The weighting of the performance criteria must add up to 100%. The Supervisory Board specifies the weighting within these ranges at the beginning of the financial year so that particularly relevant targets can be set based on Gigaset's corporate strategy and business development.

The total target achievement, calculated from the fulfillment of financial performance criteria and the achievement of shared or individual annual targets specified by the Supervisory Board, is multiplied by the defined STI Target Amount (in euros) and the modifier (0.8 to 1.2), if applicable, to produce the payment amount. The annual STI payment is limited to no more than 125% of the STI Target Amount.

Financial performance criteria: Earnings KPI, free cash flow, and revenues

The financial performance criteria used are an Earnings KPI, free cash flow, and revenues. The Supervisory Board selects the applicable Earnings KPI from among the following three financial metrics:

- EBIT (earnings before interest and income taxes)
- EBITDA (earnings before interest, income taxes, depreciation, and amortization)
- EBIT margin (ratio of EBIT [earnings before interest and income taxes] to net revenues)

The Supervisory Board selects a metric for the Earnings KPI no later than the start of the financial year using its best judgment, with a particular view to a corresponding incentive efficiency consistent with the corporate strategy.

The financial performance metric of free cash flow describes the cash inflow from operating activities minus the cash outflow from investment activities. Revenues refers to net revenues for the Group led by Gigaset AG.

By the performance criteria Earnings KPI (EBIT, EBITDA, or EBIT margin) and free cash flow and revenues, this part of the STI is linked to essential financial indicators measuring Gigaset AG's profitability, liquidity generated from operations, and revenue growth, which are also used to manage and monitor the company and which represent core metrics of corporate success. Linking to these financial performance criteria thus ensures a strategic orientation for the STI.

At the start of each financial year the Supervisory Board defines uniform target parameters for the financial performance criteria (including threshold and maximum values) derived from Group planning for that financial year. After the end of the financial year, the overall target achievement level is calculated on the basis of target achievement in the individual performance criteria. The Supervisory Board calculates target achievement by comparing actual values to the target parameters (budgeted values) for that financial year.

The bandwidth of possible target achievement levels ranges from 0% to 150% for the financial performance criteria Earnings KPI and free cash flow; target achievement for the revenue metric is limited to 100%. Depending on the target values for the financial performance criteria (budgeted values represent 100% target achievement), a threshold value and a maximum value are defined (Earnings KPI and free cash flow). If the value actually achieved in the respective financial year is at or below the threshold value, then the target achievement corridor was missed and the target achievement level is 0%. If the value actually achieved is at or above the maximum value, this produces a maximum target achievement level of 150% (Earnings KPI and free cash flow). The target achievement level follows a linear path between the threshold and target values and between the target and maximum values.

As part of regular reviews of the compensation system, the financial performance criteria are also assessed with respect to whether they create an appropriate incentive in light of the company's goals. If in the Supervisory Board's assessment this is no longer the case, the Supervisory Board has the right to adjust financial performance criteria for future financial years, using its best judgment. In this process, individual financial performance criteria might be replaced with other financial performance criteria or the number of criteria might be changed, particularly in light of Gigaset's strategically relevant control factors.

Performance criterion: shared or individual annual targets

In addition to the financial performance criteria, the STI's overall target achievement also includes reaching annual operating targets with strategic importance. Alongside the achievement of financial targets, achieving the annual targets is weighted at 25% to 50%. At the start of the financial year the Supervisory Board defines one or more individual or collective annual targets for the STI having strategic importance for Gigaset's corporate success for that year. In particular, such targets can cover the following aspects:

- Securing financing
- Implementing strategic product roadmaps

Inclusion of the achievement level of strategically relevant annual targets as a performance criterion that is weighted up to 50% in addition to financial targets allows the Supervisory Board to set individual or collective incentives for fulfilling specific targets with essential significance for the company's strategic development.

The Supervisory Board sets the targets at the start of each financial year using its best judgment in light of the corporate strategy communicated on the capital market, at the same time specifying whether and to what extent individual targets apply for individual Executive Board members or collective targets for the Executive Board as a whole. The annual targets correlate with criteria that can be measured qualitatively or quantitatively and allow the level of target achievement to be determined in a transparent manner after the end of the financial year. If there are multiple defined annual targets, they are weighted equally unless the Supervisory Board specified otherwise at the start of the financial year. The level of target achievement is assessed by the Supervisory Board using its best judgment on the basis of suitable quantitative or qualitative data. Possible target achievement levels range from 0% to 100%.

Targets set for the financial year are not changed after the fact.

3.2 Long-Term Incentive (LTI)

In addition to the STI, members of the Executive Board are paid a variable compensation component with long-term incentive effect (LTI). The Executive Board member's employment agreement defines the LTI to be paid on 100% achievement of the target ("LTI Target Amount"). The basis is the level of target achievement within a four-year performance period, with one tranche corresponding to the LTI Target Amount being offered each financial year.

Approximately 66% of the LTI payment is based on achieving strategic multi-year targets, with approximately 33% being based on non-financial ESG targets. In addition, the Supervisory Board can use a modifier (factor 0.8 to 1.2) to account for any unusual developments (see **Fehler! Verweisquelle konnte nicht gefunden werden.** below).

The level of target achievement calculated from the achievement of strategic multi-year targets is weighted at approximately 66% and that from achieving non-financial ESG targets is weighted at approximately 33% when figuring the overall level of target achievement for the LTI; it is multiplied by the defined LTI Target Amount (in euros) and the modifier (0.8 to 1.2), if applicable, to produce the payment amount. The annual LTI payment is limited to no more than 100% of the LTI Target Amount.

Performance criterion: strategic multi-year targets

One performance criterion for payment of an LTI is the achievement of strategic multi-year targets, weighted together at approximately 66%, within a four-year performance period. At the start of each financial year the Supervisory Board defines at least three individual or collective multi-year targets with long-term strategic significance for Gigaset's corporate success. In particular, strategic multi-year targets might be milestones in improving Gigaset's transformation process, such as growth in new segments. Successfully continuing the digitization strategy at Gigaset can also be included by defining corresponding targets. Moreover, the Supervisory Board can also take margin growth and the proportion of recurring revenues into account when defining the multi-year targets.

Including the achievement of strategic LTI targets as a more heavily weighted performance criterion makes it possible for the Supervisory Board to establish targeted incentives in connection with strategic growth in general and Gigaset's ongoing transformation process in particular.

Performance criterion: non-financial ESG targets

The LTI's overall target achievement also includes achieving non-financial ESG targets, weighted at approximately 33%. This is based on achieving one or more ESG targets defined by the Supervisory Board.

By including non-financial ESG targets from environmental, social, and corporate governance-related areas, such as a high level of employee satisfaction or environmental aspects (e.g., CO₂ emissions) and comparable non-financial ESG targets (e.g., EcoVadis rating), long-term incentives are set for taking into account the interests of all Gigaset stakeholders. This has major significance for sustainable corporate success at Gigaset, which is why the Supervisory Board decided to assign a significant weighting of approximately 33% of the LTI Target Amount.

The Supervisory Board defines the concrete non-financial ESG targets in light of the sustainability strategy at Gigaset AG, which is also dealt with in Gigaset AG's CSR Report.

Defining and achieving the multi-year targets and ESG targets

The Supervisory Board sets the strategic multi-year targets and the non-financial ESG targets at the start of each financial year for the applicable four-year performance period using its best judgment, at the same time specifying whether and to what extent individual targets apply for individual Executive Board members or collective targets for the Executive Board as a whole. The targets correlate with criteria that can be measured qualitatively or quantitatively and allow the level of target achievement to be determined in a transparent manner after the end of the performance period. If there are multiple defined LTI targets within the respective performance criterion (strategic multi-year targets, non-financial ESG targets), they are weighted equally unless the Supervisory Board specified otherwise at the start of the performance period; individual strategic multi-year targets must be weighted at least 10%. Targets set for a performance period are not changed after the fact.

The level of target achievement for the LTI's performance criteria is assessed by the Supervisory Board using its best judgment after the end of the four-year performance period on the basis of suitable quantitative or qualitative data. Possible target achievement levels range from 0% to 100%.

3.3 Adjustment factor in case of extraordinary developments

A modifier is provided as an adjustment factor (0.8 to 1.2) for the variable compensation components (STI and LTI); it can be used to account for the occurrence of any extraordinary developments. This makes it possible to account for any special situations not adequately reflected by the performance criteria (such as extraordinary and far-reaching changes in the economy).

The Supervisory Board sets the modifier using its best judgment in the event of any extraordinary developments. The factor can range between 0.8 and 1.2 and is applied by multiplying it by the overall level of target achievement of the STI and/or LTI. The compensation report for the financial year reports of any use of the modifier to account for extraordinary developments.

IV. Deferment periods for payment of compensation components (AktG Section 87a [1] sentence 2 item 5)

As a rule the LTI is paid after the end of the four-year performance period and determination of the targets.

We refer to the statements in part **Fehler! Verweisquelle konnte nicht gefunden werden.** below for the limited period when it is possible to withhold or demand repayment of variable compensation (penalty/clawback).

V. Possibilities for the company to demand repayment of variable compensation components (AktG Section 87a [1] sentence 2 item 6)

The Supervisory Board has the right to partially or entirely withhold payment for variable compensation components (STI, LTI) in certain conditions (penalty), or to demand that such payments be returned (clawback).

If a member of the Executive Board commits a serious violation of legal or contractual duties by gross negligence, at least, the Supervisory Board has the right to reduce or completely cancel the still-unpaid variable compensation, using its best judgment. Moreover, the Supervisory Board can demand partial or complete repayment of the gross amount of any variable compensation already paid, using its best judgment.

Any demand for repayment based on the penalty and clawback provision is precluded if the payment date was more than two years in the past. Legal possibilities for demanding repayment (such as claims for damages) shall remain unaffected thereby.

VI. Compensation-based transactions (AktG Section 87a [1] sentence 2 item 8)

1. Time periods and conditions for terminating compensation-based transactions, including applicable notice periods (AktG Section 87a [1] sentence 2 item 8 [a])

Employment agreements for Executive Board members are made for a fixed period of time and therefore do not provide for ordinary termination. The employment agreements of the current members of the Executive Board have the following terms and termination provisions:

The employment agreement with CEO Klaus Weßing runs until June 30, 2022. If the Annual General Meeting of Gigaset AG for financial year 2021 is held after June 30, 2022, the employment agreement ends at the end of the month in which the Annual General Meeting of Gigaset AG for financial year 2021 is held.

The employment agreement with Mr. Schuchardt runs until July 31, 2022.

The employment agreements of Mr. Weßing and Mr. Schuchardt are tied to their appointment as members of the Executive Board as follows: in the event of any early ejection from the Board for cause (AktG Section 84 [3]), the employment agreements will also end at the end of a termination period of twelve months, to become effective at the end of a month. If the grounds for ejection also represent good cause within the meaning of BGB (German Civil Code) Section 626, the Executive Board members' employment agreements terminate on the effective date of the ejection from the Board.

2. Severance payments (AktG Section 87a [1] sentence 2 item 8 [b])

Payments to Executive Board members in case of early termination of their employment agreements are contractually limited to two years' compensation, and may not exceed the compensation for the remaining term of the employment agreement.

In case of termination of an Executive Board member's employment agreement, the Supervisory Board decides using its best judgment whether to pay variable compensation components (that are not yet payable) according to the originally agreed targets, comparison parameters, and due

dates or holding periods. It reserves the right to perform early settlement and use other assessment factors (such as target achievement forecasting) on a case-by-case basis.

3. Retirement pay (AktG Section 87a [1] sentence 2 item 8 [c])

The main features of the retirement pay provisions are described under **Fehler! Verweisquelle konnte nicht gefunden werden.**

4. Share Ownership Guideline

Under the Share Ownership Guideline, all members of the Executive Board are required to purchase shares in the company annually and to hold them for the duration of their appointment. The purchase requirement is for a recurring annual amount of not less than 5% of fixed annual salary (gross). The purchase requirement is capped at 100% of fixed annual salary (gross), including shares already held by an Executive Board member.

VII. Taking into account the compensation and employment conditions of employees when setting up the compensation system (AktG Section 87a [1] sentence 2 item 9)

The Supervisory Board's Personnel Committee regularly reviews the appropriateness of Executive Board compensation, including in comparison to the company's internal compensation structure (vertical comparison). When evaluating appropriateness in a vertical aspect, the compensation of the Executive Board is compared to the compensation of the division managers employed in Germany who report directly to the Executive Board (upper management) and that of the overall staff of Gigaset AG and its affiliated companies employed in Germany. In particular, the ratio of Executive Board compensation to that of the named employees over time is taken into account in the course of this vertical comparison.

VIII. Process for establishing, implementing, and reviewing the compensation system (AktG Section 87a [1] sentence 2 item 10)

The Supervisory Board will adopt a clear and comprehensible compensation system for members of the Executive Board and submit the compensation system so adopted to the Annual General Meeting for approval. The Personnel Committee of the Supervisory Board can take preparatory action and in particular can present a proposal to the full meeting for the compensation system.

The Supervisory Board (and the Personnel Committee in a preparatory capacity as needed) will perform a review of the compensation system and the appropriateness of Executive Board compensation using its best judgment (regularly and, if necessary, also in response to specific occurrences), but at least once every four years. A vertical comparison of Executive Board compensation to that of the staff will be performed for this purpose (see part **Fehler! Verweisquelle konnte nicht gefunden werden.** above). In addition, the amount and structure of the compensation will be compared to a peer group defined by the Supervisory Board and consisting in general of exchange-listed companies which, among other things, have a comparable market position and whose composition is published (horizontal comparison). We refer to the statements in part III.3.1 regarding possible adjustment of financial performance criteria for the STI for future financial years (e.g., by replacing a criterion with a more suitable one).

The Supervisory Board (and also the Personnel Committee as needed) can hire outside compensation experts and other consultants for the review. The Supervisory Board and Personnel Committee will make sure the outside compensation experts and consultants are independent of the Executive Board, and will take precautions to avoid conflicts of interest. If a conflict of interest arises in the course of establishing, implementing, or reviewing the compensation system, the Supervisory Board and Personnel Committee will handle it in the

Gigaset

same way as other conflicts of interest with a member of the Supervisory Board (especially by abstention when voting).

The compensation system will be resubmitted to the Annual General Meeting for approval in case of major changes, but at least once every four years. If the Annual General Meeting does not approve the system so submitted, the Supervisory Board will submit a reviewed compensation system for approval no later than the next Annual General Meeting.

The Supervisory Board can temporarily make exceptions to the compensation system (processes and rules on the compensation structure) and its individual components, or introduce new compensation components, if this is necessary in the interest of Gigaset AG's long-term well-being. In these circumstances the Supervisory Board also has the right to make special payments to new Executive Board members as compensation for salary losses from their previous employment or to cover costs arising from a change in location. Exceptions can also temporarily result in a different amount of the Maximum Compensation. Any exception to the compensation system is possible only on the basis of a Supervisory Board resolution establishing the extraordinary circumstances and the necessity of an exception. In the event of an exception, the specifically affected parts of the compensation system to which an exception was made must be named in the compensation report, explaining the necessity of the exception (AktG Section 162 [1] sentence 2 item 5).