KOENIG & BAUER

General Annual Meeting on May 11th, 2021

Agenda Item 7: Compensation system for the Management Board

1. Principles of the compensation system for the Management Board

As in the past, the remuneration system for members of the Koenig & Bauer AG Management Board has four core components: fixed remuneration, short-term variable remuneration, long-term variable remuneration and pension commitments. The remuneration system is designed to:

- set incentives for successful implementation of operational and strategic goals,
- to promote sustainable and long-term corporate development,
- setting non-financial goals in addition to financial goals,
- create an appropriate balance between the compensation function on the one hand and performance-based incentives on the other,
- promote trusting cooperation among Management Board members on jointly developed goals as a team, but also to reward individual achievements,
- to ensure appropriate alignment with performance incentives for executives below the Management Board,
- offer attractive compensation in order to attract and retain best candidates for management positions in the Koenig & Bauer Group.

2. Revision of the remuneration system

Following the reform of the German Corporate Governance Code (GCGC), the Supervisory Board reviewed the compensation system for members of the Management Board in the 2020 business year. In its meeting on March 22, 2021, the Supervisory Board adjusted the compensation system to the new recommendations of the GCGC. The main changes are shown in the following table:

Significant changes in the compensation system

Subject	Previously	New
Long-term variable compensation	Compensation commitment so far dependent on medium-term EBIT development	Share-based payment
Maximum remuneration	So far only regulation of a cap for the individual variable compensation components	Additional regulation of a total cap
Claw-back and suspension	No regulation so far	Regulation included

3. Fixed compensation elements

a. Fixed remuneration

The members of the Board of Management receive fixed basic compensation, each at the same level, with the exception of the Spokesman of the Management Board, whose fixed compensation is increased by up to 25 percent. This structure is intended to promote team-oriented decision-making by the members of the Board of Management. The granting of a fixed basic salary promotes independent, risk-adjusted and autonomous management of the Company.

b. Ancillary services

The Company grants the Management Board members fringe benefits which may be taxed as non-cash benefits. These may include, for example:

- D&O insurance; criminal law protection insurance;
- Provision of a company car also for private use; care and maintenance of the vehicle;
- Benefits for voluntary pension insurance and for health, long-term care and accident insurance (with disability and death insurance);
- Cost of an annual medical examination;
- Rent allowances/one-time relocation allowances;
- Expenses and reimbursement of expenses (such as travel expenses);
- Reimbursement of expenses for trips home.

The maximum amount of fringe benefits is determined for each Management Board member for the respective upcoming business year. For this purpose, the Supervisory Board shall determine an amount in relation to the fixed remuneration. The Supervisory Board reserves the right, if necessary, to grant compensatory payments to new members of the Management Board for - in particular variable - remuneration from a previous employment or service relationship if they lose such payments due to the transfer to Koenig & Bauer AG. In the year in which the compensatory payment is made, the maximum remuneration (see Section 8.) shall be increased by the compensatory amount.

4. Annual bonus

The Supervisory Board has agreed with the members of the Management Board that they will receive an annual bonus ("Annual Bonus") dependent on the achievement of targets in the current business year.

a. Annual Target Agreement

To this end, the Supervisory Board reaches an agreement with each Management Board member before the beginning of each b year on the targets relevant for the assessment of the Annual Bonus ("Target Agreement"). The Target Agreement specifies when 100 percent of the individual targets have been achieved and when 150 percent of the targets have been achieved. The annual Target Agreements are agreed in such a way that the Supervisory Board is convinced that they create an incentive to manage the company sustainably in accordance with the communicated operational and strategic targets. In this way, the Supervisory Board aims to make a contribution to ensuring an attractive and sustainable return for its shareholders in the long term and enabling them to participate in the success of the Company.

b. Alignment of the goals

The targets are set in line with the Company's business and risk strategy. The Annual Bonus depends

- 50 percent on the success of the Company (Group) and
- 50 percent on the achievement of individual targets in the management of the Board department headed by the Board member (including any additional duties assumed)

When setting individual targets, non-financial targets, especially those of a qualitative nature, must be defined in addition to financial targets.

(1) The goal dependent on the Company's success

With the aim of value-based corporate management, the targets that are dependent on the success of the company are aligned to the Group's key performance indicator, the EBIT margin. The EBIT margin is derived from the audited consolidated financial statements of Koenig & Bauer AG, which were issued with an unqualified audit certificate and approved by the supervisory board. The EBIT margin is calculated as the relative share of earnings before interest, taxes, depreciation and amortisation (EBIT) in total Group sales.

In each case, an EBIT margin is determined for an

- Target achievement of 100 percent
- Target achievement of 50 percent
- Target achievement of 150 percent

In the event of target achievement between the defined target achievement levels (50 percent; 100 percent; 150 percent), linear interpolation is applied. If target achievement is less than 50 percent, the Annual Bonus is cancelled and the annual compensation dependent on long-term performance is limited to the basic target amount. If the maximum value is reached, a further increase in EBIT margin does not lead to an increase in either the Annual Bonus or the basic amount of the annual compensation dependent on long-term performance.

(2) Individual goals

When setting individual targets, non-financial targets, in particular those of a qualitative nature, are set in addition to financial targets. The Supervisory Board aims to align the majority of individual targets to key performance indicators (KPIs) that can be objectively measured. As a rule, (i) one operational, (ii) one strategic and (iii) one non-financial target shall be agreed, which shall have the following weighting: 40:40:20. The above weightings shall not be exceeded or fallen short of by more than 15 points without objective justification.

The operational targets are based on the departmental responsibilities of the Management Board member or special tasks or projects managed by him. The strategic targets are based on the medium-term strategy discussed with the Supervisory Board, i.e. until 2024 on the Performance 2024x efficiency program. Groupwide and department-specific ESG (environmental - social - governance) factors are used for the non-financial targets.

(3) Determination of the degree of target achievement for individual targets

If the benchmark for the degree of target achievement is specified in the Target Agreement by means of a ratio or in some other way, the agreed benchmark shall apply. Otherwise, the degree of target achievement shall be determined by the Supervisory Board at its due discretion using a value between 50 and 150 percent. The following benchmarks apply:

"100 percent" Target achievement in line with the target description and the communicated expectations of the Supervisory Board

"150 percent " Clearly perceptible and very significant exceeding of targets beyond the communicated expectations of the Supervisory Board (for example: Target achieved significantly ahead of schedule; target achieved significantly more cost-effectively than expected; acceptance of the measures taken within the Company; particular sustainability of target achievement; measures taken to achieve target simultaneously used to achieve other targets that were not expected; particular contribution to the long-term and continuous development of the Company).

"50 percent " Clearly perceptible and very significant shortfall in targets beyond the communicated expectations of the Supervisory Board (examples: Target achieved in part but not in full; target achievement more cost-intensive than expected; unexpected acceptance deficits; lack of sustainability; target achievement is associated with negative effects that were not to be expected).

If 50 percent of the target is achieved, the respective individual target is not achieved. The Annual Bonus is reduced in line with the weighting of the unachieved target and does not lead to an increase in the basic amount of the annual compensation dependent on long-term performance. Exceeding the maximum target achievement level does not lead to a further increase in either the Annual Bonus or the basic amount of the annual compensation dependent on long-term performance. For intermediate values between 50 and 100 percent and between 100 and 150 percent, linear interpolation is used.

c. Amount of the Annual Bonus

The Annual Bonus amounts to a gross 60 percent of the fixed annual salary ("target bonus") if 100 percent of the targets agreed with the Supervisory Board are achieved, and a maximum gross 90 percent of the fixed annual salary ("maximum bonus") if 150 percent of the targets set are achieved.

The cap on the Annual Bonus and the staggering of the Annual Bonus help to ensure that Management Board members are not guided by short-term compensation interests when managing the Company on their own responsibility.

d. Determination and payment of the Annual Bonus

After the end of the business year, the Supervisory Board carries out the year-end assessment. This is carried out on the basis of the defined performance indicators, taking into account the values actually achieved, the planned values, the previous year's values and their development over time, as well as a qualitative assessment of target achievement, also taking into account the overall risk orientation of the company.

5. Remuneration dependent on the long-term success of the company

The compensation of the Management Board members includes an annual component that is dependent on the long-term performance of the Company. For this purpose, a basic amount is invested annually, either actually or virtually, in shares of the Company, which are released after four years or settled depending on the development of the share price. The compensation component dependent on the long-term performance of the Company ensures that the compensation incentives for Management Board members develop in parallel with the share price of the Company in the long term (share ownership).

a. Basic amount

The basic amount of the annual compensation, which is dependent on the long-term performance of the Company, corresponds in gross terms to at least 65 percent of the fixed annual salary ("Target Basic Amount") and at most 130 percent of the fixed annual salary ("maximum basic amount"). The Target Basic Amount is not dependent on the achievement of specific targets or further requirements. The increase in the basic amount above the Target Basic Amount is based on the degree to which the targets set have been achieved, as explained in more detail in Section 4.b. above. The maximum basic amount is reached when 150 percent of the targets have been achieved.

b. (Virtual) investment in shares of the Company

The basic amount of the annual remuneration, which is dependent on the long-term performance of the Company, shall be invested in shares of the Company by an appointed bank on the day following the Annual General Meeting which resolves on the discharge of the members of the Management Board for the preceding business year ("Exchange Date") at the discretion of the member of the Management Board and held in a blocked custody account or, from this day onwards, held in favor of the member of the Management Board as virtual shares in Koenig & Bauer AG ("remuneration shares").

c. Blocking period of four years

The (virtual) shares are subject to a blocking period of four years. After the expiry of four years from the Exchange Date, the Management Board member may withdraw the compensation shares from the blocked deposit. The Management Board member is not authorized to sell and/or transfer - in any form whatsoever - the shares during the blocking period. In the case of dividend payments, the Management Board member shall be treated in the same way as a shareholder entitled to dividends in that the Company shall book the dividend payments directly to a blocked account set up for this purpose. If shareholders are offered subscription rights to shares or other financial instruments, the appointed bank will endeavor to realize the subscription rights. The proceeds are credited to the blocked account. A right of disposal of the Management Board member over the compensation shares, dividends and other amounts in the blocked account only exists after expiry of the blocking period.

d. Right to vote of the member of the Board of Directors

Each Management Board member can choose whether the basic amount is invested in shares or managed as virtual shares. If the Management Board member has chosen management as virtual compensation shares, the rights from the virtual compensation shares are not assignable and transferable during the vesting period. The basic amount develops during the vesting period as if the basic amount of the annual remuneration dependent on the long-term performance of the Company had been invested in shares of Koenig & Bauer AG. After expiry of the vesting period, the basic amount plus the share price gain or minus the share price loss is paid out with the next salary statement. The amount of the share price gain or loss shall be determined on the basis of the difference between the non-volume-weighted average closing price of the Company's shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the five trading days prior to the start and end of the lock-up period. In the case of dividend payments, the Management Board member is treated in the same way as a shareholder entitled to dividends in that the Company posts the dividend payments directly to a blocked account set up for this purpose. The Management Board member has no right of disposal until the blocking period has expired. In the event of capital or structural measures by the Company during the vesting period, the Supervisory Board shall adjust the rights arising from the virtual compensation share at its reasonable discretion (Section 315 (1) BGB) with the aim of ensuring that the value of the Management Board member's position is the same as it would be if the basic amount were invested in shares of the Company.

6. Special remunerations

The Supervisory Board reserves the right to decide at its due discretion on special benefits, including special compensation, for future extraordinary achievements or successes by members of the Management Board. The special compensation will not exceed the total annual compensation*) during the current term of appointment and for a period of five years.

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*) Total compensation is calculated as the sum of fixed compensation, the Annual Bonus (100 percent if targets are met), the basic annual amount of compensation based on long-term performance, the pension contribution and fringe benefits (the latter set at a flat rate of EUR 50,000).

7. Pension commitments

The members of the Board of Management receive a pension commitment based on a defined contribution system. The Company grants the Management Board members a pension in such a way that EUR 200,000 per year is paid into the pension reinsurance policy with ALTE LEIPZIGER Lebensversicherung a.G. during their period of service.

The main features of the defined contribution plan are summarized in the following table:

Claim:	Retirement benefits, occupational disability, survivors' benefits
Vesting:	immediately contractually forfeitable
Disbursement:	One-time lump-sum settlement or retirement pension, no earlier than age 63
Adjustment of pension benefits:	the promised pension benefits are increased by the profit shares paid by the insurer. After the start of pension payments, the pension benefit is increased annually by at least 1.5 percent p. a.
Disability:	Occupational disability in the amount of the promised guaranteed retirement pension
Death:	Survivor's pension (60 percent), half-orphan's pension (10 percent), full orphan's pension (20 percent)

8. Maximum compensation

The total annual compensation of the Management Board members is limited to a maximum amount ranging between EUR 1,750,000 (ordinary Management Board members) and EUR 2,170,000 (Spokesman of the Management Board) (grant cap and inflow cap). The total compensation for the grant cap and the inflow cap is calculated as the sum of (i) fixed annual salary, (ii) Annual Bonus, (iii) basic amount of annual compensation dependent on the long-term performance of the Company, (iv) any special compensation, (v) annual pension contribution, and (vi) fringe benefits.

The Supervisory Board reserves the right, if necessary, to make compensatory payments to new members of the Management Board for - in particular variable - remuneration from a previous employment or service relationship if they lose such remuneration due to the transfer to Koenig & Bauer AG (see already Section 3.b.). In the year of payment of the compensation benefit, the maximum remuneration shall be increased by the compensation amount.

9. Overview of fixed and variable compensation components and their respective relative share

The following overview shows the relative share of fixed compensation and variable compensation components in total compensation. *)

Compensation component	Share of total compensation
Fixed remuneration	32.30 percent to 33.42 percent
Annual Bonus	19.38 percent to 20.05 percent
Basic amount of compensation dependent on long-term performance	31.49 percent to 32.59 percent

*) Total compensation is calculated as the sum of fixed compensation, the Annual Bonus (100 percent if targets are met), the basic annual amount of compensation based on long-term performance (100 percent if targets are met), the pension contribution and fringe benefits (the latter set at a flat rate of EUR 50,000).

The above overview shows that the variable compensation linked to the achievement of long-term targets significantly exceeds the share from short-term targets; see also recommendation G. 6 of the GCGC. The Supervisory Board reserves the right to change the breakdown of compensation components by agreement with the members of the Management Board.

However, it will not deviate by more than 5 percentage points upwards or downwards from the above overview.

10. Contribution of compensation to the long-term development of the company

The Supervisory Board is convinced that the Management Board manages the Company successfully and responsibly and, without neglecting short-term objectives, focuses on sustainable and long-term development. The system of Management Board compensation supports this:

(i) through annually recurring Target Agreements as well as the type and selection of the agreed targets (see already 4.),

(ii) by capping the annual variable compensation components, which encourage steady development more than the pursuit of short-term opportunities,

(iii) by linking the long-term variable compensation to the stock market price of the shares for a period of four years,

(iv) by an appropriate fixed remuneration component.

11. Mandate remuneration

If a member of the Management Board holds an office within the Group as a managing director, member of the Supervisory Board or Advisory Board, or in any other capacity, compensation shall be offset against the compensation as a member of the Board of Management.

Members of the Management Board shall require the approval of the Supervisory Board before assuming any activity as a member of a supervisory board, an advisory board or similar functions outside the Koenig & Bauer Group. At the same time, the supervisory board shall decide whether and to what extent any remuneration is to be offset against the remuneration of the Management Board.

12. Claw-back

Koenig & Bauer AG may refuse to pay the Annual Bonus and the annual remuneration dependent on the long-term performance of the Company (hereinafter referred to as "performance-related remuneration") in whole or in part in the contractually regulated cases and may demand the return of payments made in the last year since payment (claw-back). The employment contracts provide for claw-back cases:

(1) if it subsequently transpires that the assessment of the performance-related compensation is based on incorrect or incomplete information on the agreed bases of assessment and it can be reasonably assumed that the Supervisory Board would have assessed the compensation granted or determined in the business year on the compensation component concerned more than 5 percent lower if correct or complete information had been provided;

(2) if the member of the Management Board has seriously violated the Code of Conduct of the Koenig & Bauer Group or statutory prohibitions in the business year in which the performance-related remuneration was granted. A violation by the Management Board member shall be deemed to be equivalent if the Management Board member has not dutifully intervened against violations by third parties.

13. Individual questions

a. Regulations in the event of a change of control

The employment contracts of the Management Board members do not contain any provisions for the event of a change of control. In particular, they have not been granted any special termination rights or severance payments in the event of a change of control.

b. Severance pay in the event of premature departure

In the event of premature termination of Management Board membership, the Company will not compensate more than the value of the entitlements for the remaining term of the contract. The payments, including fringe benefits, may not exceed two years' compensation (severance payment cap). The calculation of the annual compensation is determined as the sum of (i) the fixed annual salary, (ii) the Annual Bonus in accordance with the most recently applicable Target Agreement, (iii) other fringe benefits, and (iv) pension contributions. Any special compensation or entitlements to the Annual Bonus dependent on the long-term performance of the Company are not taken into account in calculating the severance payment cap.

If the premature termination occurs at the request of the Management Board member or if there is good cause for termination by the Company, no severance payments will be made.

c. **Continued payment of remuneration in the event of illness**

In the event of illness, remuneration shall continue. In the event of an illness lasting longer than 6 months or if the same illness results in an absence of more than 8 months, the end of which is not yet foreseeable, the Supervisory Board may declare the employment relationship terminated prematurely without observing the notice period and retire the Management Board member prematurely on grounds of incapacity. In this case, the Management Board member retains the entitlement to salary for the current and following quarter, while the bonus remains limited to the portion corresponding to the period until termination of the employment relationship.

d. **Post-contractual non-competition clause**

The members of the Management Board are subject to a non-competition clause after leaving the Management Board. For the duration of the non-competition clause, the Company pays the Management Board members compensation equivalent to half of their fixed salary and the Annual Bonus (the latter calculated on the basis of the average over the last three full years). In line with the recommendation of the GCGC, the employment contracts stipulate that a severance payment (see Note 13 b. above) is to be made to compensate for and settle the waiting allowance. The same applies if the Management Board member leaves the company and receives pension benefits resulting from his work for the company. Any other earned income which the Management Board member earns or maliciously fails to earn shall be offset against the compensation. The Company may waive compliance with the non-competition clause before or simultaneously with the end of the Management Board member's contract with the effect that it is released from the obligation to pay the waiting compensation six months after receipt of the declaration.

14. Temporary deviation from the remuneration system

The Supervisory Board may temporarily deviate from the compensation system approved by the Annual General Meeting if this is necessary in the interests of the long-term welfare of the Company. The deviation requires a resolution of the Supervisory Board which expressly refers to the deviation from the compensation system of the Management Board approved by the Annual General Meeting. The resolution shall state the deviation from the compensation system of the Management Board, the beneficiary members of the Management Board as well as the duration and the reasons for the deviation. The deviation from the compensation system shall be reported in the compensation report. The components of the compensation system from which deviation may be made are in particular the variable compensation and the caps relating to individual compensation components, but not the overall cap.

15. Consideration of the remuneration and employment conditions of executives and employees

On the basis of the compensation system, the Supervisory Board determines the specific target and maximum compensation for each Management Board member, as described in more detail above. In determining this, the Supervisory Board attaches importance to compensating the members of the Management Board appropriately. The criteria for this are the tasks, personal performance and experience of the individual Management Board members as well as the economic situation, performance and future prospects of the Company and the customary level of compensation, taking into account the market environment (horizontal appropriateness) and the compensation structure that otherwise applies in the Company (vertical appropriateness).

MDAX and SDAX companies are used to assess horizontal appropriateness. In doing so, the Supervisory Board will either be guided by published compensation studies of renowned institutions or a peer group of companies of the MDAX or SDAX formed by the Supervisory Board, or will ask an independent compensation consultant for the classification in a group of peer companies agreed with the Supervisory Board. In selecting the peer group, the Supervisory Board will use the market position of Koenig & Bauer AG and key figures such as sales, number of employees and market capitalization as part of a rough plausibility check. As the remuneration systems of the MDAX and SDAX companies are only comparable to a limited extent, the horizontal comparison is primarily intended to achieve a rough classification in the selected peer group on the basis of the total remuneration actually granted or paid.

In vertical terms, the Supervisory Board takes into account the development of Management Board compensation in relation to the compensation of the upper management circle and the workforce in Germany. The Supervisory Board delineates the upper management circle as follows: The executives are all managers who report directly to members of the Management Board. The rest of the workforce is made up of employees of Koenig & Bauer AG who are covered by collective bargaining agreements and those who are not. The Supervisory Board reserves the right to introduce a group-wide comparative view instead of a view based on Koenig & Bauer AG. However, no decisions have been made on this at present.

16. Procedure for determining and reviewing the remuneration system

Pursuant to Sections 87(1) and 87a AktG, the Supervisory Board determines the compensation of the members of the Management Board and resolves the underlying compensation system. In doing so, the Supervisory Board is supported by its Personnel Committee, which monitors the appropriate design of the compensation system and prepares the resolutions of the Supervisory Board. If necessary, the Supervisory Board consults external consultants. It ensures that they are independent when making their selection. In the event of significant changes, but at least every four years, the compensation system is submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the compensation system presented for voting in each case, a revised compensation system will be presented for resolution at the latest at the following Annual General Meeting.

As the law assigns responsibility for setting, reviewing and implementing the system of compensation for Management Board members to the Supervisory Board, conflicts of interest are largely ruled out from the outset. Conflicts of interest on the part of individual Supervisory Board members have not arisen in the past. Should conflicts of interest arise in the future, the members of the Supervisory Board are obliged to disclose them immediately to the Chairman of the Supervisory Board. In this case, the Supervisory Board members concerned would not participate in the resolutions on the relevant agenda items in the Supervisory Board or in the committees.