DOUGLAS AG

Compensation System for the Management Board members

Table of Contents

I. Preamble

This document incorporates the Compensation System for the Management Board of Douglas AG. The Compensation System of the Management Board members has been effective since the admission to the stock exchange of the Douglas AG on March 20th, 2024. Pursuant to Section 120a, Paragraph 1 of the German Stock Corporation Act (AktG) Douglas AG is obligated to submit the Compensation System for the Management Board for an advisory vote by the Annual General Meeting in case of material changes or at least every four years. The Compensation System for the Management Board will be submitted to an advisory vote for the first time at the 2025 Annual General Meeting. The Compensation System takes into account market best practice in Germany and is particularly aimed at aligning the Management Board members' compensation with the long-term development and success of the Douglas AG as well as with shareholders' interests.

II. Principles of the Compensation System

The Compensation System plays a key role in promoting strategy execution and the sustainable, long-term development of Douglas Group. It serves as a central steering tool for ensuring Management Board compensation is aligned with Douglas Group performance and the interests of shareholders and other stakeholders.

The Compensation System is based on transparent, performance-related parameters that reflect the Douglas AG's long-term success, and the variable compensation is predominantly measured on a multi-year basis. The Compensation System supports the implementation of our long-term strategy and provides incentives to align the interests of the Management Board members with those of our shareholders and other stakeholders. The objective of the Compensation System is to compensate the Management Board members in accordance with their performance and in accordance with German regulatory requirements as well as best market practice.

When designing the Compensation System of the Management Board, the Supervisory Board was guided by the principles shown in the graphic below.

Principles of the compensation system
Sustainable and long-term development The compensation structure contributes a sustainable and long-term orientation of Douglas Group.
Pay for Performance The compensation system is geared towards performance by setting ambitious and motivating targets.
Alignment of interests The design of the compensation system consolidates the interests if the shareholders / stakeholders, Douglas Group, and the management.
Consistency of the compensation The Supervisory Board ensures the compensation system for the Management Board is consistent with the compensation system of executives.
Market competitiveness The design of the compensation system is in line with the market practice.

III. Overview of the Compensation System

1. Components of the Compensation System

The Compensation System of the Management Board of Douglas AG consists of fixed and variable compensation elements. The Supervisory Board has set a Compensation System and reviews its appropriateness on a regular basis.

The members of the Management Board receive a fixed annual base salary in cash, which is paid out in twelve equal monthly installments. The annual gross base salary amounts to EUR 1,000,000 for the CEO, Alexander van der Laan, to EUR 625,000 for the CFO, Mark Langer, and to EUR 625,000 for the CCO, Dr. Philipp Andrée. No pension scheme is granted to the Management Board members.

In addition to the annual base salary, the members of the Management Board are entitled to variable compensation elements, the STI and the LTI (hereinafter the "**LTI**"). Both are oriented towards the Douglas Group's sustainable development and incorporate relevant key performance indicators of the Douglas Group. In order to set a strong focus on the long-term development of the Douglas Group, the LTI makes up the majority of the variable compensation.

An overview of the Post-IPO Compensation System is shown below:

Fixed compensation	**Base Salary**	Fixed compensation which is paid out in cash twelve equal monthly instalments.	
	Benefits	May consist of an accident insurance, a company car for business and private use, contributions to a private or voluntary statutory health insurance, and the reimbursement of costs for travel and accommodation.	
Variable compensation	**STI**	Type	Annual bonus
		Performance criteria	Financial performance criteria • Adjusted EBITDA • Net Sales • Net Working Capital ESG criteria
		Cap	150% of target amount
		Payout	In cash
	LTI	Type	Performance share plan
		Term	Three-year performance plus one year holding period
		Performance criteria	Relative TSR (50%) Adjusted EBT (50%)

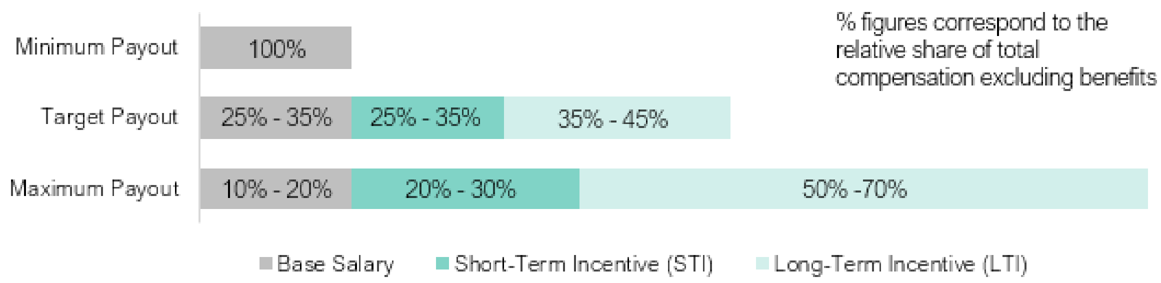
	Caps	Target achievement: 200% Payout: 250%
	Payout	In cash
Malus & Clawback	Reduction or complete forfeiture/reclaim of the variable compensation is possible.	
Share Ownership Guidelines (SOG)	Management Board members are obliged to invest a minimum amount in Douglas AG shares: 150% of the base salary (CEO); 100% of the base salary (Ordinary Management Board Member). The SOG Target has to be met within four years form appointment.	
Severance Payments	May not exceed the lesser of the amount due for two years of compensation or the compensation payable for the remaining term of the service agreement (severance cap).	

2. Compensation Structure

The total target compensation of each Management Board member consists of the sum of the base salary, the STI target amount, and the LTI target amount. The Compensation System allows for the base salary to amount to approximately 25% to 35%, the STI to amount to approximately 25% to 35%, and the LTI to amount to approximately 30% to 45% of the total target compensation. The current compensation of the Management Board members conforms with these thresholds.

The stronger weighting of the long-term variable compensation compared to the short-term variable compensation ensures that the compensation structure is oriented towards the sustainable and long-term development of Douglas AG in accordance with the provisions of the AktG. In addition, the aim is to ensure that in accordance with the requirements of Section 87 Paragraph 1 Sentence 3 AktG as well as the recommendations of the German Corporate Governance Code, the proportion of the variable compensation made up of the LTI exceeds the proportion of the variable compensation made up of the STI. At the same time, important operative targets are taken into account by putting significant weight on the STI.

The value of benefits due to the Management Board members is inherently subject to annual fluctuations and thus not included in the above graphic; however, benefits usually amount to appr. 5% to 10% of the individual base salary. However, these may in certain cases be higher if newly appointed Management Board members are granted one-off payments for a limited period of time (e.g., reimbursement of relocation or rental costs or indemnity payments for variable compensation from former employers that has been forfeited due to the Management Board membership at Douglas Group).



Scenario	Explanation
Minimum Payout	STI: 0% of target amount; LTI: 0% of target amount
Target Payout	STI: 100% of target amount; LTI: 100% of target amount
Maximum Payout	STI: 150% of target amount; LTI: 250% of target amount

IV. Compensation system in detail

1. Fixed compensation components

1.1 Base salary

The base salary of the Management Board members is a fixed compensation which is paid out in cash in twelve equal monthly instalments, and which is determined by taking into consideration the Management Board members’ respective position and responsibilities.

1.2 Benefits

Benefits mainly comprise an accident insurance, a Douglas AG car for business and private use, contributions to a private or voluntary statutory health insurance, and the reimbursement of costs for travel and accommodation.

2. Variable compensation components

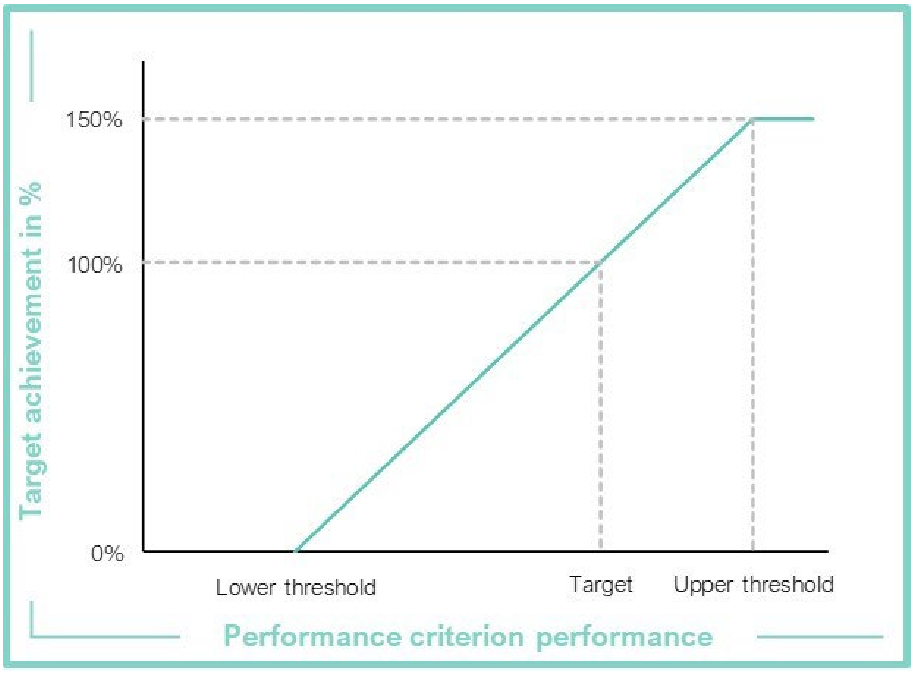
The Supervisory Board has introduced a compensation framework for the Management Board members that complies with regulatory requirements while at the same time meeting investors’ and proxy advisor’s expectations. With the design of the variable compensation components the right incentives for the Management Board members are set to act in alignment with the Douglas AG’s strategy as well is in the interests of its shareholders and other stakeholders. Furthermore, the variable compensation elements incentivize the achievement of sustainable operational and long-term goals.

2.1 Short-Term Incentive

The STI is designed as a target bonus model with a performance period of one year. The payout amount of the STI at the end of the performance period is determined by multiplying the target amount with the total target achievement. The total target achievement is calculated as the sum of the target achievements of all performance criteria considering their respective weighting. Primarily, the total target achievement depends on the financial performance of the Douglas AG, operationalized via Adjusted EBITDA (weighted between 25% and 40%), Net sales (weighted between 20% and 35%) and Net Working Capital (weighted between 20% and 30%). Besides financial criteria, environment, social and governance criteria (ESG criteria) are considered (weighted between 10% to 20%). The applicable ESG targets are defined by the Supervisory Board at the beginning of each financial year.

Likewise, the Supervisory Board will set a weighting for the performance criteria and a target value for each of the financial performance criteria upon achievement of which the target achievement will be 100%. The Supervisory Board will further set a minimum value upon achievement of which the target achievement will be 0% and a maximum value upon achievement of which the target achievement will be 150% for each of the financial performance criteria. Between the minimum value and the target value, as well as between the target value and the maximum value, the target achievement for each of the financial performance criteria is determined by linear interpolation. Resulting from this, the payout amount of the STI can range between 0% and 150% (cap) of the individual target amount.

A sample target achievement curve is shown in the graphic below.

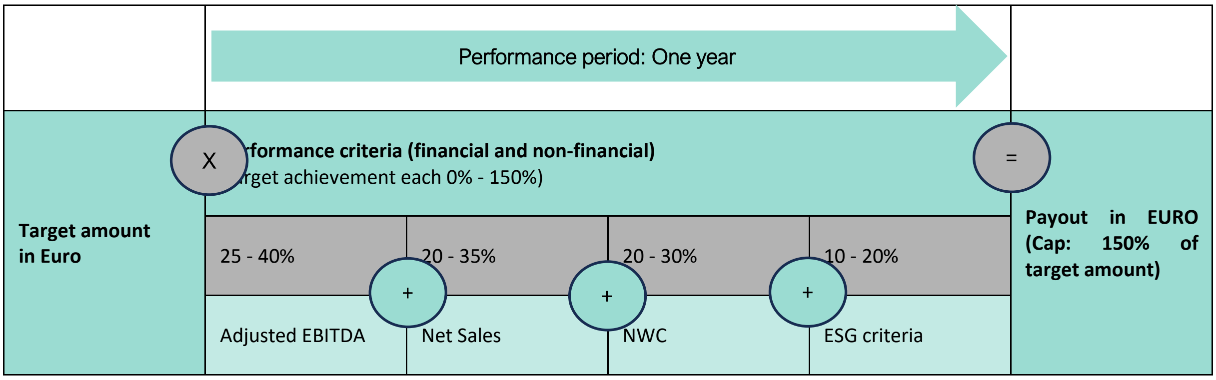


The actual thresholds and target values, target achievement curves and target achievement levels for the respective performance criteria are disclosed ex-post in the annual Compensation Report for the respective financial year.

Meeting or falling below the lower threshold (entry hurdle) corresponds to a target achievement of 0%, exactly meeting the target value corresponds to a target achievement of 100% and meeting or exceeding the upper threshold corresponds to a target achievement of 150%.

The target achievement of the non-financial i.e. ESG criteria may range from 0% to 150%.

The target achievement is measured in percent and rounded to two decimal places by standard accounting practice.



2.1.1 Financial Criteria

Adjusted EBITDA used for management purposes is derived from EBITDA as disclosed in the Douglas AG consolidated financial statements within the consolidated statement of profit and loss and adjusted for those items which, in the opinion and judgment of the management of Douglas AG, are non-recurring, exceptional or inappropriate for management purposes (hereinafter the "**Adjusted EBITDA**"). The target figure may also be determined in relation to net sales, namely as an adjusted EBITDA margin, instead of in absolute figures (Euro).

Net sales refers to the top line figure as disclosed in the Douglas AG consolidated financial statements within the consolidated statement of profit and loss and is included as a performance criterion to incentivize company growth (hereinafter "**Net Sales**"). The target figure may also be determined as a percentage growth rate compared to net sales in the previous year instead of in absolute figures (Euro).

Net Working Capital of the Group is defined as the sum of (i) inventories, (ii) trade accounts receivable and receivables from payment service providers, (iii) trade accounts payable and (iv) other, which includes receivables and liabilities in connection with supplier receivables for discounts/bonuses and marketing subsidies as well as outstanding voucher liabilities. As a financial criterion for the STI and including the fiscal year 2024/2025, the average Net Working Capital as percentage of the Sales is to be calculated as the arithmetic average of the Net Working Capital of the last thirteen month-end values, whereby the Net Working Capital of the first and last month-end values are added together and weighted in half, divided by the revenues of the last twelve months of a reporting period (hereinafter referred to as "**NWC**").

2.1.2 ESG criteria

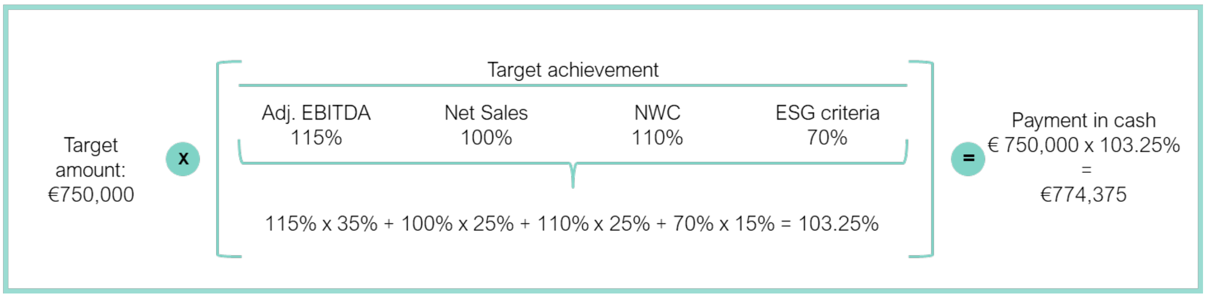
The concrete targets for the non-financial ESG criteria are defined at the reasonable discretion of the Supervisory Board annually at the beginning of the performance period, taking into account the Douglas AG's sustainability strategy. At the end of the financial year, the Supervisory Board will assess and determine the target achievement level of the ESG criteria.

The ESG criteria and their respective targets set by the Supervisory Board for the financial year as well as the target achievement levels are disclosed ex-post in the annual Compensation Report for the respective financial year.

2.1.3 Payout

The STI is paid out in cash and is capped at 150% of the individual target amount of each Board Member. A sample calculation based on hypothetical target amounts and target achievements is shown in the graphic below.

Sample calculation based on hypothetical figures



The Supervisory Board reserves, in line with recommendation G.11 of the German Corporate Governance Code, the right to account for extraordinary events or developments and thus to adapt the payout of the STI to an appropriate extent when determining variable compensation payout amounts. Extraordinary developments are defined as major unexpected events (such as war, pandemics, or other disasters), material changes in the organization of the Douglas AG (such as major divestments or acquisitions or a significant change in the ownership structure), high inflation, capital measures or material changes of the accounting and valuation methods or considerable fluctuations of foreign exchange rates that could not have been reasonably foreseen at the time the respective performance targets were set and significantly affect the payout amounts of the STI. Generally unfavorable market developments are expressly not regarded as extraordinary developments in this context. The Supervisory Board will transparently disclose payout adjustments and the underlying reasoning in the Compensation Report.

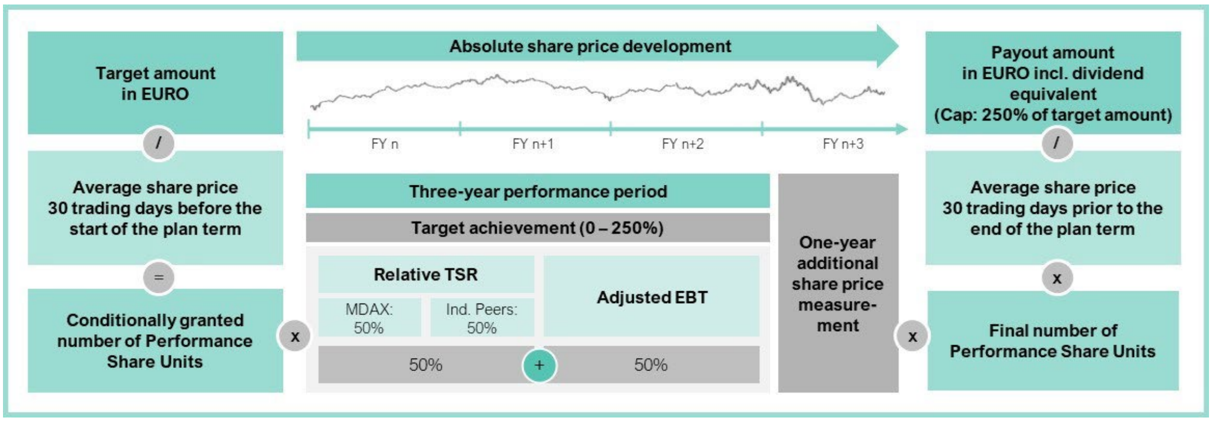
2.2 Long-Term Incentive

The LTI is designed as a virtual performance share plan with a plan term of four years consisting of a performance period of three years and an additional one-year holding period.

At the start of the plan term of each tranche of the performance share plan, each Management Board member is conditionally granted a number of performance share units (PSUs). The number of conditionally granted PSUs is calculated on the basis of the target LTI amount agreed upon in the respective service agreement divided by the average share price of the Douglas AG share during the 30 trading days prior to the beginning of the plan term.

Target achievement for each criterion may range from 0% to 250% for each of the performance criteria depending on company performance. In order to further reflect the capital market performance of Douglas AG a one-year holding period follows the determination of the final number of PSUs during which the share price performance will continue to impact the payout amount of the respective LTI tranche.

Following the one-year holding period the payout amount is determined by multiplying the final number of PSUs by the corresponding average share price of the Douglas AG share during the last 30 trading days prior to the end of the four-year term plus the cumulative dividends paid during the plan term and paid out in cash. The payout is capped at 250% of the target amount ("Cap").



2.2.1 Relative TSR

The TSR shows how the shares of a Douglas AG performed over a specific period and includes hypothetically reinvested gross dividends during that time. Douglas Group aims to be an attractive investment target and the inclusion of the relative TSR as a performance criterion aims to incentivize above-average capital market performance, both in absolute terms and relative to the market.

After the end of the three-year performance period, the final number of PSUs is calculated. In addition to the share price development, the payout depends on the overall target achievement of two equally weighted performance indicators, the relative total shareholder return (TSR) and the adjusted earnings before taxes (adjusted EBT), measured over the three-year performance period. The target achievement for the relative TSR is based on a comparison of the TSR of the Douglas AG share with the TSR of the companies included in the MDAX and the companies of an individual peer, each of which is weighted at 50% for the achievement of the relative TSR performance criterion.

The individual peer group consists of the following companies:

Ahold Delhaize	ASOS
Beiersdorf	Estée Lauder
Fielmann	Hugo Boss
L'Occitane International	L'Oréal
LVMH Moët Hennessy – Louis Vuitton	THG
Ulta	Zalando

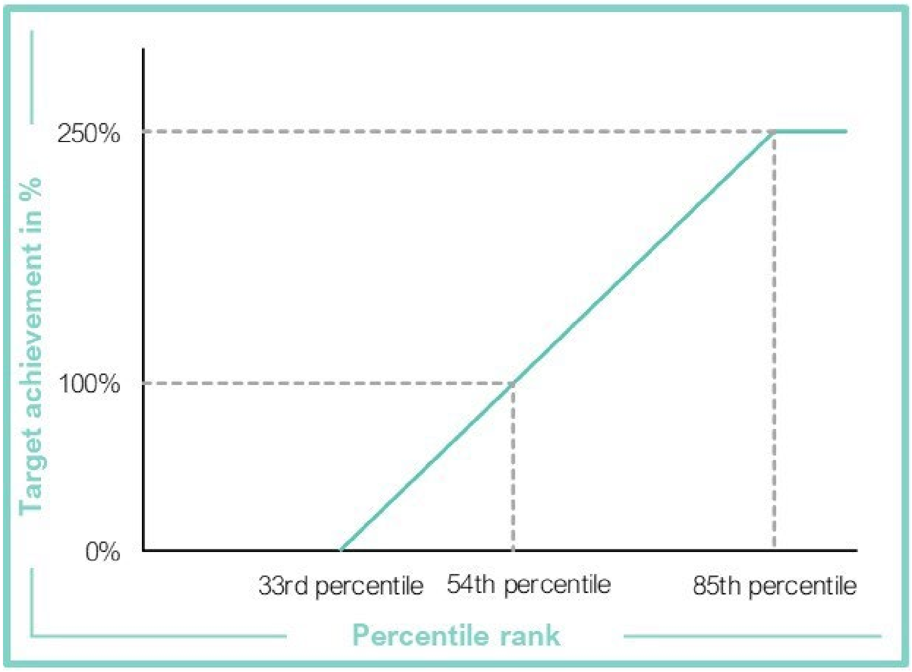
The Supervisory Board is authorized to adjust the individual peer group for future tranches.

To balance the effects of possible share price fluctuations on individual days, the average closing price of the last 30 trading days prior to the start of the performance period and prior to end of the performance period is used as the relevant share price for calculating the TSR. Moreover, the final TSR also includes hypothetically reinvested gross dividends during that time.

To assess the target achievement of the relative TSR of Douglas AG compared to both peer groups, the TSR of Douglas AG and the TSR of the companies of the respective peer group are each first sorted in descending order. In a second step, the percentile rank achieved by Douglas AG within the respective peer group is determined. Based on the respective percentile rank achieved, the target achievement for the relative TSR is calculated based on a defined performance curve.

If Douglas AG is ranked at or below the 33rd percentile, target achievement is 0%. If the Douglas AG is ranked at the 54th percentile target achievement is 100%. If Douglas AG is ranked at or above the 85th percentile target achievement is 250%. Target achievement for results between the defined values is determined by linear interpolation between the lower threshold, the target value, and the upper threshold. The structure of the target achievement curve is designed to award the majority of the potential payout of the LTI attributable to the relative TSR performance criterion only in instances where the Douglas AG TSR exceeds the median performance of the peers.

The target achievement curve is shown in the graphic below.



2.2.2 Adjusted EBT

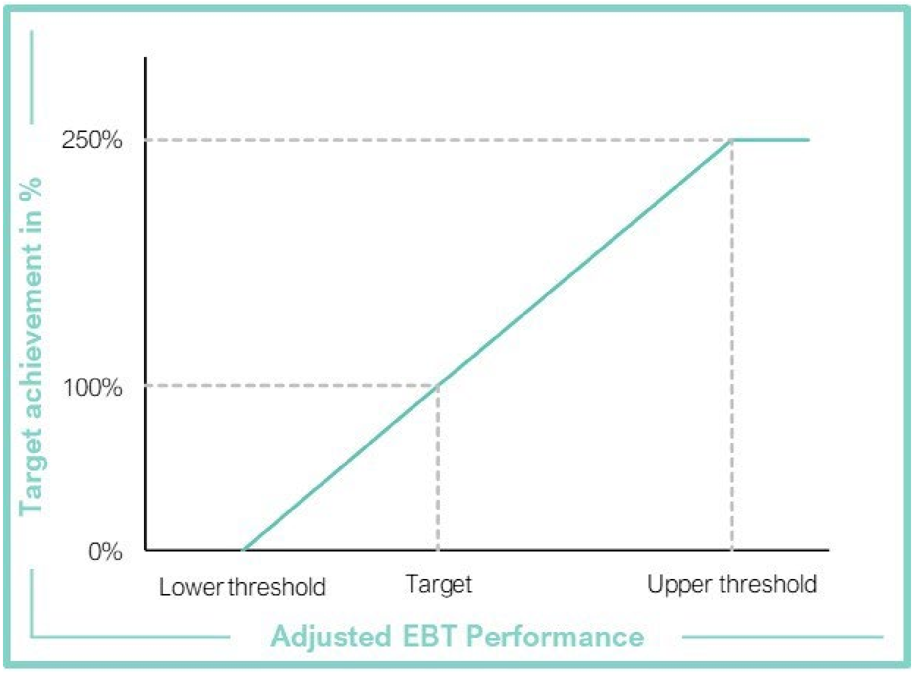
The Adjusted EBT ("Earnings before Taxes") equals the revenue minus expenses, excluding taxes, as disclosed in the Douglas AG Annual Report before the application of IFRS 16. The Adjusted EBT is therefore the EBT as reported before capitalization of significant lease expenses and income, purchase Price Allocation, restructuring costs and severance payments, consulting fees, and other adjustments. The inclusion of the Adjusted EBT in the LTI aims at incentivizing sustainable and long-term profitability.

For the Adjusted EBT the Supervisory Board sets a lower threshold, a target value, and an upper threshold at the beginning of the plan term of each LTI tranche taking into account the general business development and the mid-term planning of the Douglas AG.

The target achievement for the Adjusted EBT is derived by comparing the average actual value for Adjusted EBT during the performance period with the target value for the Adjusted EBT for the respective performance period. To do so the annual actual value for Adjusted EBT is calculated for each financial year of the performance period, after which the average value of the three annual values of the Adjusted EBT over the performance period is calculated. The target achievement is then determined by comparing the average Adjusted EBT value to the respective threshold and target values set at the beginning of the plan term.

Meeting or falling below the lower threshold corresponds to a target achievement of 0%, exactly meeting the target value corresponds to a target achievement of 100% and meeting or exceeding the upper threshold corresponds to a target achievement of 250%. Target achievement for results between the defined values is determined by linear interpolation between the lower threshold, the target value, and the upper threshold.

A sample target achievement curve is shown in the graphic below.

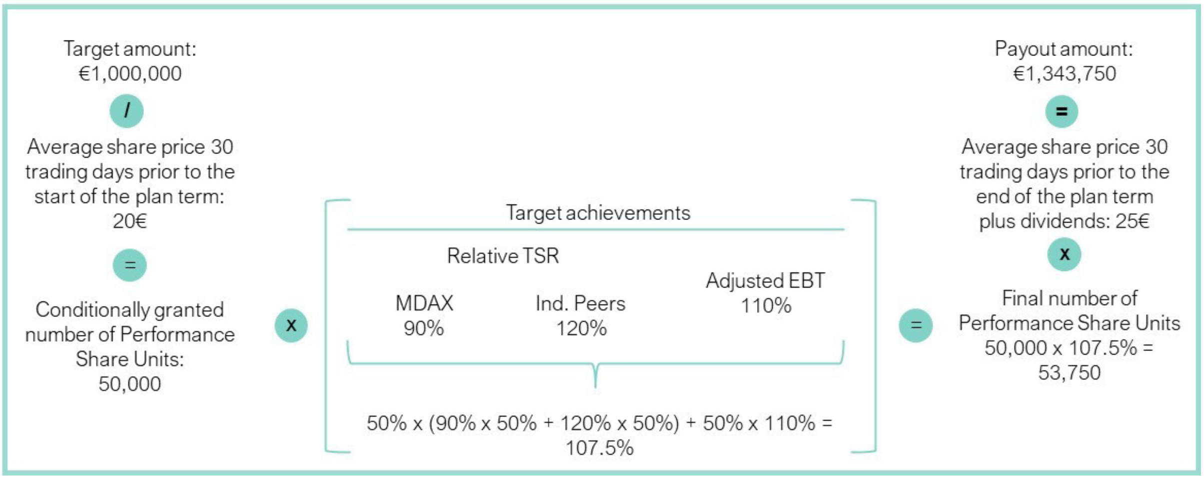


2.2.3 Payout

The actual threshold and target values, target achievement curves and target achievement levels for the respective performance criteria are disclosed ex-post in the annual Compensation Report for the respective financial year.

The LTI is paid out in cash on the earliest possible date after the end of the four-year plan term and is capped at 250% of the individual target amount. A sample calculation based on hypothetical target amounts and target achievements is shown in the graphic below.

Sample calculation based on hypothetical figures



As the financial year following the IPO was not a full year, the full LTI as such will only be granted from the financial year 2024/2025. In order to compensate the missing allocation for the financial year 2023/2024, an additional allocation value of 2/3 of the normal LTI allocation amount was granted once in May 2024 to cover the period from the IPO to the end of the financial year 2023/2024 (hereinafter "**Additional LTI Allocation**"). The Additional LTI Allocation and the LTI allocation 2024/2025 will only be shown as granted and owed after the end of the plan term on September, 30 2028.

The Supervisory Board reserves, in line with recommendation G.11 of the German Corporate Governance Code, the right to account for extraordinary events or developments and thus to adapt the payout of the LTI to an appropriate extent when determining variable compensation payout amounts. Extraordinary developments are defined as major unexpected events (such as war, pandemics, or other disasters), material changes in the organization of the Douglas AG (such as major divestments or acquisitions or a significant change in the ownership structure), high inflation, capital measures or material changes of the accounting and valuation methods or considerable fluctuations of foreign exchange rates that could not have been reasonably foreseen at the time the respective performance targets were set and significantly affect the payout amounts of the LTI. Generally unfavorable market developments are expressly not regarded as extraordinary developments in this context. The Supervisory Board will transparently disclose payout adjustments and the underlying reasoning in the Compensation Report.

3. Maximum compensation

Pursuant to Section 87a Paragraph 1 Sentence 2 No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has determined a maximum compensation for the Management Board members.

The maximum compensation limits the total compensation (base salary, STI, LTI, and expenses for benefits) of the Management Board members which is paid out for a financial year, regardless of the actual payment dates of the compensation elements (LTI in particular). Should the total compensation exceed this maximum amount determined by the Supervisory Board, a portion of the LTI (as the last compensation element due for payment) is forfeited without refund or replacement to the extent that the total compensation for the respective financial year exceeds the determined maximum compensation.

For the Chief Executive Officer the maximum compensation for a financial year amounts to EUR 7,000,000 and for other Management Board members the maximum compensation for a financial year is set at EUR 4,500,000.

4. Share Ownership Guidelines

Share Ownership Guidelines (SOG) form an integral part of the Compensation System of Douglas AG and are applicable to all Management Board members.

The Management Board members are obliged to invest a minimum amount in Douglas AG shares and to hold these shares for at least the duration of their respective appointment to the Management Board. The minimum amount of shares that need to be held is equal to shares in the value of 150% and 100% of base salary for the Chief Executive Officer and for the Ordinary Management Board members, respectively ("**SOG Target**"). The SOG Target has to be met within four years form appointment.

Shares in Douglas AG already held by the Board Member at the beginning of the build-up phase will be counted towards the fulfillment of the SOG Target.

5. Malus & Clawback

If it is determined following a payment of variable compensation that the consolidated financial statements on which that payment of variable compensation is based were not correct and must be corrected and a lower amount of variable compensation is determined on the basis of the corrected consolidated financial statements, the Supervisory Board is entitled to request repayment of the net difference ("Clawback").

If there is good cause that would legitimate a termination of the Service Agreement without notice, the Supervisory Board is entitled to request repayment in whole or in part of the net variable compensation that was granted for the calendar year in which the good cause occurred ("Clawback").

The Supervisory Board decides at its reasonable discretion whether or not to assert any claim for repayment and on the scope of the repayment.

The claim for repayment also exists if the Management Board member has already ceased to hold the office as member of the management board and/or this Service Agreement has already terminated. Further claims of the Douglas AG, in particular any claims for damages, remain unaffected.

Insofar as variable compensation that can be reclaimed has not yet been paid out, the Supervisory Board may reduce at its reasonable discretion in whole or in part the amount of the variable compensation not yet paid ("Malus").

6. Compensation related legal transactions

6.1 Duration of Management Board Service Agreements

The Service Agreements of the Management Board members are concluded for the duration of their appointment and are each extended for the duration of their reappointment. When a Management Board member is appointed for the first time, the term of appointment and service agreement is generally three years. In the event of reappointment, the term of appointment and service contract is up to five years.

6.2 Joining the Management Board during the financial year

In the event that a Management Board member joins the Board during an ongoing financial year, the compensation is prorated for the respective financial year (including the target amount of the STI and LTI) in accordance with the term of the service period in the relevant financial year.

6.3 Premature termination of the Service Agreement

6.3.1 Termination of the Service Agreement without cause by the Douglas AG

In the event of premature termination of the appointment and Service Agreement of the Management Board member without cause by the Douglas AG, severance payments made by the Douglas AG to the respective Management Board member in connection with the premature termination may not exceed the amount due for two years of compensation and in any case may not exceed the compensation payable for the remaining term of the Service Agreement (Severance Cap). Notwithstanding the cap on severance payments, pro-rata payments of already granted variable compensation to departing Management Board members are made on the dates and at the conditions originally agreed upon.

In the event of such a premature termination the target amount of the Short-Term Incentive granted for the financial year in which the termination occurred is pro-rated by 1/365 for every day of the respective financial year in which no service relationship of the Board Member with the Douglas AG exists. Similarly, the target amounts for the already granted plan tranches of the Long-Term Incentive for which the performance periods have not yet ended are reduced by 1/36 for each month in which no service relationship of the Management Board Member with the Douglas AG exists during the performance period.

6.3.2 Termination of the Service Agreement by the Douglas AG with cause

In case of termination of the Service Agreement with the Management Board member due to extraordinary termination by the Douglas AG for good cause in accordance with Section 626 para. 1 German Civil Code (BGB), the Management Board member is not entitled to receive severance payments.

6.3.3 Termination of the Service Agreement without cause by the Management Board member

In case of termination of the Service Agreement with the Management Board member due to extraordinary termination by the Management Board member without cause, the Management Board member is not entitled to receive severance payments.

6.3.4 Termination of the Service Agreement due to inability to work or death

In the event of temporary unfitness for work, members of the Board of Management continue to receive their contractually agreed base salary for a duration of up to six months. If a Management Board member has been unfit for work for an aggregate period greater than two months throughout a given financial year the variable compensation is granted pro rata temporis for the relevant financial year.

In the event of death of a Management Board member, their surviving dependents shall receive the contractually agreed base salary for a duration of up to six months.

6.4 Side activities of Management Board members

The exercise of additional side activities by Management Board members requires the prior written consent of the Douglas AG, regardless of whether this secondary activity is compensated or not. The same applies for the holding of public offices or honorary positions.

The compensation for mandates of Management Board members in companies which are affiliated with the Douglas AG or in associations or similar groups in which the Douglas AG is a member as part of its business operations will be offset against the Management Board Compensation.

Likewise, the direct or indirect involvement, including as a personally liable shareholder, as well as within any supervisory board or similar functions of another enterprise, without consideration of its business purpose requires the previously obtained written consent of the Douglas AG in every case.

6.5 Non-Compete clause

During the term of their Service Agreements the members of the Management Board are subject to certain non-compete obligations, including a prohibition not to engage, either autonomously or dependently as an employee and also not as an entrepreneur or in any other manner, neither directly nor indirectly through any form of participation, in a competitive activity, or to be active for an enterprise that is in direct competition with the Group.

The Management Board members of Douglas Group can be subject to a non-compete obligation which extends beyond the termination of the Service Agreement. Any non-compete compensation is offset against possible severance payments for the respective Management Board member.

7. Process for determining, reviewing, and implementing the compensation system and for determining and reviewing the compensation

7.1 Determining and reviewing the compensation system

Pursuant to Section 87, Paragraph 1 AktG, the Supervisory Board sets the Management Board compensation. In this process, the Supervisory Board is supported by the Executive Committee of the Supervisory Board, which develops recommendations for the compensation system of the Management Board, considering the principles mentioned above and the recommendations of the GCGC in its applicable version. The Executive Committee of the Supervisory Board and the Supervisory Board may seek advice from external compensation experts, whereby care is taken to ensure their independence.

The compensation system agreed upon by the Supervisory Board is submitted to the Annual General Meeting for an advisory vote.

The compensation system is regularly reviewed by the Supervisory Board following the preparation and recommendation of the Presidential Committee.

The Executive Committee of the Supervisory Board prepares the Supervisory Board’s regular review of the Management Board compensation system. Where necessary, it provides recommendations to the Supervisory Board on changes to be made. In the event of material changes to the compensation system, but at the latest every four years, it is submitted to the Annual General Meeting for an advisory vote.

If the compensation system does not get approved by the Annual General Meeting, a revised compensation system must be submitted for approval at the latest at the subsequent Annual General Meeting.

7.2 Determination and appropriateness of the individual total target compensation

Taking into account the responsibilities and performance of the Management Board members as well as the situation of the Douglas AG, the Supervisory Board determines an appropriate level for the total target compensation of the individual Management Board members for the upcoming financial year.

Furthermore, market conformity is ensured by the Supervisory Board by conducting a horizontal as well as a vertical comparison of the compensation.

7.2.1 Horizontal comparison

Based on the size of Douglas Group in terms of sales, number of employees and market capitalization, the MDAX index serves as the benchmark for the comparison and setting of compensation levels. Complimenting the national focus of the MDAX a secondary group of selected international competitors is also used for the comparison of compensation levels.

7.2.2 Vertical comparison

The Supervisory Board regularly conducts a vertical comparison of the compensation of the Management Board members with the compensation of senior executives and other employees. Thereby the development of compensation over time is considered in particular.

7.3 Measures to avoid conflicts of interest

Complying with the recommendations of the GCGC regarding conflicts of interests of Supervisory Board members, the Supervisory Board members are obliged to declare any conflict of interest regarding the determination, the review of, and implementation of the compensation system without delay.

In the event of a conflict of interest, the concerned Supervisory Board member does not participate in discussions or votes on the matter within the Supervisory Board or the Executive Committee.

Conflicts of interest and the handling of those are reported to the Annual General Meeting by the Supervisory Board.

8. Temporary deviations from the compensation system

In accordance with Section 87a Paragraph 2 sentence 2 AktG, the Supervisory Board may temporarily deviate from the compensation system if this is essential for the long-term well-being of the Douglas AG. Exceptional circumstances justifying a temporary deviation from the compensation system include severe corporate and economic crises. However, unfavorable market developments do not justify a temporary deviation from the compensation system.

In the event of a deviation, the compensation must remain oriented towards the long-term and sustainable development of Douglas Group and be linked to the success of the Douglas AG as well as the performance of the Management Board member. Only after a careful analysis of the exceptional circumstances a temporary deviation from the compensation system is permitted.

Temporary deviations from the compensation system require a corresponding proposal by the Supervisory Board.

If the respective preconditions are present a temporary deviation from the compensation system is allowable to adjust the variable compensation and the possible target achievement ranges of the individual variable compensation components. In the case that an adjustment of the existing compensation components does not adequately restore the incentive effect of the compensation if the respective preconditions for a temporary deviation from the compensation system are present, the Supervisory Board is entitled to temporarily grant additional compensation components or replace existing compensation components with new components.

If a temporary deviation from the compensation system has taken place, information on the deviations will be provided in the compensation report for the following year. Information on the necessity of the deviations and information on the individual components of the compensation system for which a deviation was made must be provided as well.

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