Remuneration Report

The following Remuneration Report explains the principles of the remuneration system for members of the Management Board and Supervisory Board of 1&1 AG and describes the amount and structure of remuneration for members of the Company's executive bodies for fiscal year 2021. The report is based on the requirements of section 162 of the German Stock Corporation Act (AktG), which has been mandatory since fiscal year 2021.

The Report comprises two parts:

- The first part presents the remuneration system for members of the Management Board and Supervisory Board, as approved and adopted by the Company's Annual Shareholders' Meeting of May 26, 2021.

- The second part, from page 14 onward, contains the actual Remuneration Report for the Management Board and Supervisory Board and complies with the requirements of section 162 AktG.

For reasons of better readability, the additional use of the female form is omitted in this report. 1&1 would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

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1&1 AG Remuneration System

Management Board Remuneration

The 1&1 AG Supervisory Board presented the current remuneration system for Management Board members during the Annual General Meeting on 26 May 2021 and requested its approval. The remuneration system was adopted by 92.82 percent of the votes cast.

Management Board Remuneration System

Introduction

The 1&1 AG remuneration system described below sets forth the basic principles for the conclusion of new Management Board service contracts as of the Annual General Meeting 2021. It does not have any impact on service contracts concluded prior to that time, however, these contracts essentially comply with the requirements of the remuneration system.

The remuneration for members of the Company's Management Board is oriented toward sustainable and long-term corporate development. Management Board members should be remunerated reasonably and as appropriate for their responsibilities and duties. The economic situation, the Company's success, the personal performance of each Management Board member, the interests of persons associated with the Company and social issues must be taken into account for the assessment of the remuneration. The remuneration should create an incentive to be successful with respect to all these perspectives. Success should be targeted as a long-term achievement, which is why the remuneration must not encourage the taking of short-term risks.

Remuneration system, procedures, comparative groups and remuneration structure

The Supervisory Board establishes and regularly reviews the Management Board remuneration system in compliance with legal requirements. The system is in compliance with the regulations of the Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) applicable to the handling of conflicts of interest. The remuneration of the individual Management Board members is calculated on the basis of the remuneration system.

The individual total remuneration ("target total remuneration") of a Management Board member is determined by the Supervisory Board at a level appropriate to performance assessment and expectation. Criteria for the appropriateness of an individual's remuneration are the tasks of the specific Management Board member, the performance of the Management Board as a whole, the personal performance of the Management Board member and his or her experience, the economic position of the Company, the success and future prospects of the Company and the customary level of remuneration in view of comparative data from other companies and from within the Company. The internal (vertical) comparison is realised by the Supervisory Board's consideration of the relationship of the Management Board remuneration to the remuneration of the Company's senior management and workforce, including its affiliated companies, and the development of this relationship over time. The external (horizontal) comparison is based on data from companies regarded as operating in comparable industries and/or that are also listed on the TecDAX and comparable with the Company in terms of market position, revenue and number of employees. When comparing the data from various sources, the Supervisory Board consults inter alia the findings of independent providers of remuneration studies and the published business and remuneration reports of comparable companies; furthermore, it obtains support from experienced and independent remuneration consultants. The Supervisory Board also makes these comparisons when determining the structure of the remuneration system as a whole.

The total remuneration of the Company's Management Board members consists of (i) a fixed, non-performance-related basic salary, (ii) fringe benefits and (iii) a variable, performance-related component. The variable component in turn consists of short-term and long-term components. The remuneration system provides bandwidths and limits within which the Supervisory Board moves in making the concrete assessments of each of the remuneration components and in determining the final total remuneration that includes the variable component.

Overview of the remuneration structure

Non-performance-related remuneration components	
Basic remuneration	Fixed salary, paid monthly
Fringe benefits/other remuneration	Insurance cover (D&O etc.); company car; housing, relocation, brokerage, home travel and tax accountant expenses to a certain extent; special allowances and signing bonus, if applicable

Performance-related remuneration components	
Short-term variable remuneration (STI)	Based on the achievement of certain targets (revenue and earnings ratios; operational/strategic aspects; personal performance; non-financial performance criteria (ESG))
Long-term variable remuneration (LTI)	Participation in the SAR programme; participation in the increase in value of the Company's stock; 5-year term

The total remuneration includes compensation for activities for and board positions in companies affiliated with the Company, associated companies and holding companies.

Insofar as any such positions have been assumed, any remuneration paid for these activities (e.g. attendance fees) is generally offset against the total remuneration and – taking into account tax requirements – is usually deducted from the short-term variable remuneration that must be paid. The Supervisory Board may conclude deviating agreements concerning the remuneration for official positions in associated companies and holding companies with the pertinent Management Board member.

Remuneration and business strategy / Long-term development of the Company

The remuneration of the members of the Company's Management Board promotes its business strategy in multiple ways.

- The structure of the short-term variable remuneration provides for the setting of targets in agreement with the members of the Management Board that, for one, secure economic success through the achievement of certain key figures. For another, individual targets, which may also include concrete strategic targets, are agreed. The inclusion of target criteria with environmental and social aspects is also intended to reward social successes.

- The long-term variable remuneration with its orientation to the stock price and its term of several years ensures that there is an incentive for sustainable economic success. Moreover, the interests of the Company and its shareholders are linked to those of the Management Board in the long term. Every member of the Management Board participates in the sustainable success of the Company, but must also shoulder economically negative developments together with the Company. This bonus/malus system prompts Board members to act as entrepreneurs and to pursue the interest of the Company from a long-term perspective.

Non-performance-related remuneration components

Fixed remuneration

The fixed remuneration serves as a guaranteed basic remuneration and is paid monthly as a salary. The fixed remuneration is reviewed at regular intervals and adjusted as expedient. Every review includes a comparison with in-company structures and figures from other companies.

Fringe benefits/Other remuneration

The following fringe benefits are offered as standard:

- D&O and accident insurance cover

- Company car with private use option (alternatively, a car allowance or a BahnCard)

In addition, the following fringe benefits may be granted as part of the "onboarding" of new Management Board members:

- Assumption of reasonable relocation and/or estate agent expenses
- Assumption of local housing costs (e.g. as an allowance for costs of two households) for a reasonable period of time
- Payment of a monthly allowance in line with the market for travel to home/family (return journey) for a reasonable period of time
- Assumption of standard market tax accountant expenses relevant for the establishment of the employment relationship
- Assumption of standard market tax accountant expenses for special matters (e.g. matters involving foreign countries) in the current employment relationship

In addition, the Supervisory Board may grant a signing bonus to new Management Board members when they transfer from another employment relationship; the bonus serves to compensate lost remuneration from the previous employment relationship. The amount of the signing bonus must in any case be offset against any payment claims from the long-term variable remuneration. Should the Management Board member leave the Company at his/her request before the signing bonus has been fully credited, the Management Board member must repay the outstanding amount of the signing bonus to the Company. In these cases, the Supervisory Board is permitted to conclude an agreement with the Management Board member according to which the amount to be repaid is reduced pro rata temporis over a longer period of time, whereby the period of time should be less than 24 months after commencing work for the Company solely in justified exceptional cases.

In addition, in justified exceptional cases – e.g. if a member of the Management Board assumes further division responsibilities in addition to his/her actual division responsibilities (e.g. due to illness or absence of a fellow Management Board member or a reassignment of divisions) – a reasonable increase in the fixed remuneration appropriate to the change is also permissible.

Retirement benefits are not granted.

Performance-related remuneration components

Short-term variable incentive (short-term incentive: "STI")

In addition to the basic remuneration, every Management Board member receives an STI; the payment period corresponds to the fiscal year of the specific company. A target figure for the STI is set that is earned if the agreed targets are met in full on average (= 100 percent). The targets are set by the Supervisory Board at the beginning of every fiscal year. Possible targets:

STI Targets	Proportion of STI (Minimum/Maximum)
Growth in sales and earnings ratios (such as EBITDA) and capital efficiency ratios (such as ROI) of the 1&1 Group	50 % - 70 %
Operational/strategic goals (e.g. business development, efficiency increase, market exploitation)	5 % - 20 %
Personal performance targets (e.g. responsibility for specific projects; achievement of individual/divisional performance indicators)	5% - 20 %
Non-financial performance criteria such as concerns of groups connected with the Company (so-called stakeholders), environmental and social issues ("ESG elements")	5% - 20 %

The Supervisory Board may deviate from the above-mentioned recommended proportions for the weighting of the separate targets.

The various categories enable the Company to create optimal alignment of the short-term variable remuneration with its interests.

- Revenue (growth) and earnings (especially EBITDA) of the 1&1 Group are the key criteria for assessing its economic success in the past fiscal year. For this reason, this category should comprise the largest proportion among the STI targets. This is in recognition of the commitment and contribution of the individual Board member to the benefit of the Company and the corporate group. Lack of economic success has a direct negative impact on the remuneration of the Board member.

- Operational and strategic goals, on the other hand, set specific incentives for the achievement of certain short-term parameters or the implementation of measures, and can more accurately reflect certain operational and strategic decisions than the revenue and profit of the corporate group. These targets should be set for the Management Board as a whole.

- Personal performance targets can be set for each individual Management Board member, thereby creating an incentive for the successful completion of certain projects for which the specific Management Board member is responsible, the solving of individual division-related challenges and the achievement of certain division-specific key figures (e.g. customer satisfaction).

- ESG elements are mandatory and, in contrast to the previous categories, primarily serve the interests of groups associated with the Company and environmental objectives. This target component gives the Supervisory Board the opportunity to focus the attention of the Board members on social issues and to create an incentive to address such issues. The scope of possible topics for these targets is broad because of the diversity of interests that might come into question. In setting targets, the Supervisory Board should consequently respond dynamically to social and environmental challenges. The ESG elements are not limited to issues outside the corporate group; they should also serve to master parallel challenges within the Company and its associated companies (e.g. diversity).

As a rule, a range of 90 percent to 120 percent applies to target achievement. If the average achievement of the targets is less than 90 percent, the entitlement to payment of the STI lapses completely. If average achievement of the targets overall is greater than 120 percent, the overachievement is capped at 120 percent of the STI target. In the year of a member's hiring, especially in stub periods, the Supervisory Board can guarantee a minimum amount of STI for the first six to twelve months of the term of office to the Management Board member. A part of this minimum amount may also be paid to the Management Board member on a monthly basis.

The Supervisory Board discusses and determines the assessment of the degree of achievement of the STI in a meeting after the adoption of the annual financial statements for the 1&1 Group. The Supervisory Board prepares this meeting together with the Management Board members and the competent departments so that the governing body has access to the complete information necessary for an assessment and, if necessary, to additional expertise.

The revenue and earnings category is based on the key figures determined by Corporate Financial Affairs & Investor Relations. Revenue and profit targets are part of the forecast and the target/actual comparison is based on the audited annual financial statements.

The Supervisory Board determines the degree of achievement of the operational and strategic targets by evaluating the concepts submitted by the Management Board and any other materials that may be required. The achievement of personal performance targets is also determined by the Supervisory Board on the basis of documents submitted by the Management Board (and any additional external expertise that may be required). The Supervisory Board takes into account the defined key figures and success criteria in determining the target achievement of ESG elements.

After the conclusion of this Supervisory Board meeting, the STI will be paid out with the following salary payment round unless further circumstances must still be examined.

Long-term variable remuneration (long term incentive: "LTI")

A programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) serves as an LTI. An SAR corresponds to a virtual subscription right to a share in the Company, i.e. it does not represent a (real) option to acquire shares in the Company. However, the Company reserves the right at its own discretion to fulfil its obligation to pay out the SARs in cash by instead transferring one share per SAR from its treasury stock to the participant at the exercise price.

SAR programme of 1&1 AG

Subject	Participation in the increase in value of the 1&1 AG stock
Systematics	Issue of a number of SARs that can be exercised in a specified scope at specified points in time. Vesting takes place in four steps: 1. 25% of the SARs exercisable for the first time after two years 2. Another 25% of the SARs exercisable for the first time after three years 3. Another 25% of the SARs exercisable for the first time after four years 4. The remaining 25% of the SARs exercisable for the first time after five years.
Term/Fulfilment	Term: 5 years. Full vesting of all SARs after five years. The vested shares must be exercised no later than six years after the start of the programme; payment entitlement in cash or shares at the Company's discretion.
Calculation parameters	Difference between the initial price (closing price of the share when issued) and the closing price of the share when the SARs are exercised (arithmetic mean of the last ten trading days in each case).
Restrictions	- Waiting period of two years - Two exercise windows per year - Exercise of previously awarded SARs only - Exercise hurdle: exercisability of a vested SAR solely if at the time of exercise there has been a price increase of at least 20% on the initial price
Cap	100% of the initial price

The number of SARs issued to a member of the Management Board (on average per year of the programme) is based on the intended total remuneration for that Management Board member, assuming that the internal forecasts for the development of the stock are achieved. Taking into account the requirements of the remuneration system, in particular the maximum remuneration, it is also possible to conclude another SAR agreement during the term of an SAR agreement.

Since the value development of the SARs is linked directly to the performance of the Company's stock price and vesting takes place over a total period of five years, the SAR programme creates an incentive to influence positively the Company's long-term performance in the interest of the shareholders. At the same time, the Management Board member not only participates in a positive development of the Company, but is also affected by a negative development of the stock price because of the exercise hurdle and the calculation of the amount that is paid out. As the SAR programme has proven its value as a remuneration component to tie the Management Board members to the successful sustainable development of the Company's stock price, it should be retained unchanged.

Maximum remuneration

The maximum remuneration that an ordinary member of the Management Board can receive arithmetically from the sum of all remuneration components, i.e. basic salary, STI, LTI (remuneration from SAR programme/ term in years) and fringe benefits, may not amount to a total gross sum higher than €3.5 million euros p.a. (maximum remuneration).

The maximum remuneration for the Management Board chairperson may be a maximum of twice the maximum remuneration for an ordinary member of the Management Board.

The maximum remuneration is not a target total remuneration for the Management Board members deemed appropriate by the Supervisory Board, but solely an absolute upper limit that may not be exceeded under any circumstances. Should the payment of the LTI result in the maximum remuneration being exceeded, the entitlement from the LTI for the year in question in excess of the amount of the maximum remuneration will be forfeited. When payments are made on the basis of the LTI, however, the term of the LTI must be taken into account in each case when calculating the maximum remuneration. Payments from the programme must be distributed evenly over the years of the programme's term when assessing compliance with the annual maximum remuneration.

Ratio of fixed remuneration, STI and LTI and measurement of individual total remuneration

The following framework applies to the ratio of the separate remuneration components to the individual total target remuneration:

Relative proportion of separate remuneration elements in total individual remuneration (calculated p. a.)		**Absolute proportion of separate remuneration elements in total individual remuneration (calculated p. a.)**
Fixed remuneration:	20% to 40%	€400,000 to €800,000
STI (target amount):	10 % to 30 %	€200,000 to €800,000
LTI (target amount p.a.):	40 % to 70 %	€400,000 to €2,250,000

The individual total target remuneration is determined by the Supervisory Board with regard to

- the duties of the Management Board member,
- his/her responsibility in the Company,
- his/her experience,

- the question of whether the Management Board member has been appointed chairperson of the Management Board, and

- the internal/vertical and external/horizontal comparison

and, at the same time, it must be ensured that the proportion of variable, performance-based remuneration (STI and LTI) together must amount to at least 60 percent of the target total remuneration.

Pension commitments / insurance

The Company maintains a D&O insurance policy as well as group accident and travel insurance policies. During the performance of their activities, the members of the Management Board are also included in these framework agreements. Should additional insurance policies valid throughout the Group be taken out, these will also cover all members of the Company's Management Board.

A company pension scheme is offered exclusively on the basis of deferred compensation. A pension scheme financed by the Company is not provided unless the Company is obligated to do so by law.

The Company pays to each member of the Management Board contributions to health and long-term care insurance that as a maximum correspond to the employer's contributions that would be incurred for mandatorily insured employees. Should a member of the Management Board decide to join voluntarily the statutory pension scheme or to be insured under the statutory pension scheme upon joining the Company, the Company will also pay the related contributions up to a maximum of the employer's contributions that would be incurred by mandatorily insured employees.

In addition, in the event that the Management Board member is prevented from working because of illness, the Company will continue to pay the remuneration for a period of six months, offsetting any and all benefits paid to the Management Board member by a statutory or private health insurance for the loss of earnings.

Remuneration-related legal transactions and severance payment regulations/Post-contractual non-competition clauses/Claw-back clause/Extraordinary developments/Change of control regulations

Remuneration-related legal transactions and severance arrangements

The term of the service contracts of the Management Board members is linked to their term of office. If the appointment of a member of the Management Board is revoked, the service contract also terminates. If the revocation is not based on good cause within the sense of Section 626 BGB, the employment contract does not end until a period of 12 months or the original term of office has expired, whichever happens first. Entitlements to payment of severance compensation in the event of resignation are not granted to the Management Board members. In all other respects, the Company observes the requirements of the DCGK for payments in the event of premature termination of the activity. According to the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. If and when there is a post-contractual prohibition of competition, any severance payments will also be offset against the waiting period compensation.

Post-contractual non-competition clause

The Management Board contracts contain a post-contractual non-competition clause with a term of up to one year. Unless the non-competition clause is waived by the Supervisory Board, the Management Board member is entitled to waiting period compensation in the amount of 75 percent to 100 percent of the last fixed remuneration he/she received. The Management Board member must accept the offset in full of any other income from a new activity against the waiting period compensation.

Claw-back clause

Employment contracts also contain a so-called "claw-back" clause that can be invoked to request reimbursement, in whole or in part, of any short-term variable remuneration granted to the Management Board member if and when it is determined that the necessary prerequisites for the payment were in actual fact not fulfilled (e.g. manipulated or incorrectly calculated key figures). Similar provisions for long-term variable remuneration have been included in the contracts. These provisions are without prejudice to claims for damages and claims for unjustified enrichment.

Extraordinary developments

The Supervisory Board will take extraordinary developments into account when measuring the achievement of the STI target. There may be a need for corrections, especially in the economic key figures, due to special influences. In addition, the Supervisory Board can counteract extraordinarily bad developments on the basis of Section 87(2) AktG. In such cases, it may reduce the remuneration of the Management Board members to an appropriate amount if the Company's position after the determination of the remuneration deteriorates to such a degree that the further granting of the remuneration without any changes would be inequitable for the Company.

Change of control regulations

Commitments for benefits in the event of premature termination of the employment contract by the Management Board member consequent to a change of control have not been agreed.

Supervisory Board Remuneration

The 1&1 AG Supervisory Board presented the current remuneration system for Supervisory Board members during the Annual General Meeting on 26 May 2021 and requested a resolution for its adoption. The remuneration system was approved by 99.95 percent of the votes cast and applies from fiscal year 2021.

Remuneration system of the Supervisory Board

The system for the remuneration of Supervisory Board members is based on legal statutes and takes into account the requirements of the German Corporate Governance Code.

- The Supervisory Board members receive a fixed remuneration plus an attendance fee without any variable or stock-based remuneration. The granting of fixed remuneration corresponds to the common predominant practice in other listed companies and has proved its value. The Management Board and the Supervisory Board are of the opinion that a fixed remuneration of the Supervisory Board members is best suited to strengthen the independence of the Supervisory Board and to take into account the advisory and supervisory function of the Supervisory Board that must be fulfilled independently of the Company's success. The suggestion G.18 first sentence of the DCGK also provides for fixed remuneration of the Supervisory Board members.

- The Supervisory Board members receive a fixed annual remuneration of €45k. In accordance with recommendation G.17 DCGK, the remuneration for the Supervisory Board chairman and the deputy Supervisory Board chairman is higher to compensate for the greater time requirements associated with these positions. The fixed annual remuneration for the Supervisory Board chairman is €55k; the remuneration for the deputy chairman is €50k. Also in accordance with recommendation G.17 DCGK, the chairman of the Audit and Risk Committee receives an additional €20k per year; every other member of the Audit and Risk Committee receives an additional €15k per year. The Company must support the members of the Audit and Risk Committee in obtaining any necessary advanced training and education and must also assume any costs incurred for these measures in a reasonable scope.

- In addition to the aforementioned remuneration, the chairman of the Audit and Risk Committee receives further remuneration of as much as €15k per fiscal year that may be used for the engagement of accountants and/or tax accountants whose support the chairman requires in the performance of his duties as chairman of the Audit and Risk Committee and that cannot be provided on a priority basis through the resources and consulting opportunities available to the Company.

- Remuneration for Supervisory Board members who have been members of the Supervisory Board or the Audit and Risk Committee for only part of a fiscal year receive remuneration calculated pro rata temporis for each month or part thereof of their membership.

- Every member of the Supervisory Board also receives an attendance fee of €1,000 for each participation in in-person meetings of the Supervisory Board. Insofar as meetings of the Supervisory Board do not take place in-person, but only virtually (in particular, if a meeting takes place only by telephone or only by video conference), the members of the Supervisory Board do not receive any attendance fee if the meeting did not last longer than one hour; half of the attendance fee if the meeting lasted longer than one hour, but less than two hours; and the full attendance fee if the meeting lasted two hours or more. Members who do not personally attend in-person meetings of the Supervisory Board (such as participation by telephone or video conference) always receive only 25 percent of the attendance fee; participation solely in the form of submission of a voting message does not give rise to any entitlement to an attendance fee. No attendance fee is paid for participation in meetings of the Audit and Risk Committee. Participation in meetings of the Audit and Risk Committee is compensated by the additional annual remuneration.

The total remuneration is due after the end of the fiscal year. Out-of-pocket expenses are reimbursed immediately. In addition, the members of the Supervisory Board are reimbursed for value-added tax.

Remuneration Report of 1&1 AG

Remuneration Report of 1&1 AG

There were three members of the 1&1 AG Management Board in fiscal year 2021:

Members of the Management Board per 31 December 2021

- Ralph Dommermuth, Company founder and Chief Executive Officer (CEO)
  (with the Company since 1988)

- Markus Huhn (CFO)

- Alessandro Nava (COO)

The 1&1 AG remuneration system approved by the Annual General Meeting of 26 May 2021 sets forth the basic principles for the conclusion of new Management Board service contracts as of the Annual General Meeting 2021. The service contracts with the Management Board members Ralph Dommermuth, Markus Huhn and Alessandro Nava that were already in place at that time ("legacy contracts") are not governed by these requirements, but they are nevertheless compliant with the requirements of the remuneration system in their essential elements. Any deviations are explained in the pertinent sections.

As stipulated in the 1&1 AG remuneration system, the members of the Company's Management Board receive total remuneration consisting of a fixed, non-performance-related basic or fixed salary, fringe benefits and a variable, performance-related component. The variable component in turn consists of a short-term (STI) and a long-term (LTI) component.

One exception is the Management Board chairman, Mr Ralph Dommermuth, who, in consultation with the Supervisory Board, has waived his right to Management Board remuneration.

The following framework applies to the ratio of the separate remuneration components to the individual target total remuneration in accordance with the 1&1 AG remuneration system:

Relative proportion of separate remuneration elements in total individual remuneration (calculated p. a.)		**Absolute proportion of separate remuneration elements in total individual remuneration (calculated p. a.)**
Fixed remuneration:	20% to 40%	€400,000 to €800,000
STI (target amount):	10 % to 30 %	€200,000 to €800,000
LTI (target amount p.a.):	40 % to 70 %	€400,000 to €2,250,000

Pursuant to the remuneration system, there must be provisions ensuring that the proportion of variable, performance-based remuneration (STI and LTI) together amount to a minimum of 60 percent of the target total remuneration. Such a provision is not included in the current legacy contracts of Mr Huhn and Mr Nava.

When payments are made on the basis of an LTI programme, the term of each LTI must be taken into account when calculating the relative proportion of separate remuneration components. Accordingly, payments from such programmes must be distributed evenly over the years of the term when assessing the relative proportion.

Individual remuneration of the Management Board members

The table below shows the remuneration granted and owed individually to the Management Board members. The various remuneration components are disclosed according to the following principles:

- Basic remuneration and fringe benefits are disclosed as "granted" in the fiscal year in which the activity/service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The same procedure applies to the short-term variable remuneration (STI). The STIs are also disclosed as "granted" in the fiscal year in which the activity/service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The long-term variable remuneration (LTI) is disclosed as "granted" in the fiscal year in which the conversion rights for stock appreciation rights (SARs) are exercised, within the framework of the defined exercise dates and exercise scope and subject to the achievement of the defined exercise hurdles/targets.

In accordance with the aforementioned principles, 1&1 does not disclose any owed remuneration.

Remuneration granted in the pertinent reporting year

	Year	Basic remuneration (Fix)		Variable remuneration (Var)		Total	Proportion Fix/Var
in €k		**Fixed salary**	**Fringe benefits**	**STI**	**LTI**		
Ralph Dommermuth (CEO)	2021	0	0	0	0	0	-
Since 1988	2020	0	0	0	0	0	-
Markus Huhn (CFO)	2021	550	11	51	0	612	92 % / 8 %
	2020	450	11	50	0	511	90 % / 10 %
Alessandro Nava (COO)	2021	500	14	205	0	719	71 % / 29 %
	2020	400	14	200	0	614	67 % / 33 %
Total	**2021**	**1,050**	**25**	**256**	**0**	**1,331**	**81 % / 19 %**
	2020	**850**	**25**	**250**	**0**	**1,125**	**76 % / 24 %**

Remuneration components in detail

Non-performance-related remuneration components

Fixed salary

The members of the Management Board receive a fixed salary that is paid monthly in twelve equal instalments.

Fringe benefits

The fringe benefits usually consist of a company car appropriate to the position, the non-cash benefit of which is taxable.

Performance-related remuneration components

The performance-related variable remuneration components serve to promote the short- and long-term development of the Company.

STI

The structure of the short-term variable remuneration (STI) provides for the setting of targets in agreement with the members of the Management Board that, for one, secure economic success through the achievement of certain key figures. For another, individual targets, which may also include concrete strategic targets, are agreed. The inclusion of target criteria with environmental and social aspects is also intended to reward social successes.

The amount of the short-term variable remuneration depends on the achievement of specific targets established at the beginning of the fiscal year. A target figure (target amount) for the short-term variable remuneration is set that is achieved if the agreed targets are met in full on average (= 100 percent). The targets are set by the Supervisory Board at the beginning of every fiscal year. As a rule, a range of 90 percent to 120 percent applies to target achievement. If the average achievement of the targets is less than 90 percent, the entitlement to payment of the STI lapses completely. If average achievement of the targets overall is greater than 120 percent, the overachievement is capped at 120 percent of the STI target. In the year of a member's hiring, especially in stub periods, the Supervisory Board can guarantee a minimum amount of STI for the first six to twelve months of the term of office to the Management Board member. A part of this minimum amount may also be paid to the Management Board member on a monthly basis.

Mr Huhn's target amount for short-term variable remuneration was €50k p.a. in fiscal year 2021.

Mr Nava's target amount for short-term variable remuneration was €200k p.a. in fiscal year 2021.

The following STI targets have been set for Mr Huhn and Mr Nava for fiscal year 2021:

STI Targets	Proportion of STI for each target
Growth Target I: Increase of Group's service revenues to €3,070m	30 %
Growth Target II: Increase in Group operating EBITDA to €653m	30 %
Growth Target III: Net contract growth of 600,000 contracts	17.5 %
Customer value	22.5 %
Total	100 %

Target achievement was 101.7 percent for Growth Target I (service revenue 2021 = €3,123 million), 102.9 percent for Growth Target II (operating EBITDA = €672 million), 100.0 percent for Growth Target III (customer growth = 600,000) and 105.1 percent for the target Customer Value, resulting in a mean target achievement of 102.5 percent and a total of €51.3k to be paid out to Mr Markus Huhn and €205.1k to Mr Alessandro Nava.

The STI targets agreed with Messrs Huhn and Nava in the 2021 target agreement (before the new remuneration system entered into effect) relate to the deviations of the planned operating revenue and earnings targets in 2021 from the operating revenue and earnings figures and non-financial performance criteria actually achieved in fiscal year 2021 and do not yet include any operating/strategic targets, any personal performance targets or any of the recommendations for the proportions of the various STI targets defined in the new remuneration system. Consequently, the percentage weighting of the STI targets is also not in line with the recommended proportions of the remuneration system, which provide for proportions of the STI of 50 percent to 70 percent for growth targets (turnover/earnings) and 5 percent to 20 percent for each of the categories operational/strategic targets, personal targets and non-financial performance criteria.

In accordance with the service contracts of Mr Nava and Mr Huhn, the targets for each fiscal year are set by the Supervisory Board in agreement with the individual Management Board member. The Supervisory Board and the individual Management Board members agree that the targets for fiscal year 2022 will be established in accordance with the specifications of the new remuneration system.

LTI

There is a participation programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) that acts as a remuneration component with a long-term incentive effect (LTI). An SAR corresponds to a virtual subscription right to a share in the Company, i.e. it does not represent a (real) option to acquire shares in the Company. However, the Company reserves the right at its own discretion to fulfil its obligation to pay out the SARs in cash by instead transferring one share per SAR from its treasury stock to the participant at the exercise price. The exercise threshold of the programme is 120 percent of the exercise price. The payment of the value increase is limited to 100 percent of the stock exchange price determined at the time the virtual options were awarded.

The option right can be exercised for a partial amount of up to 25 percent at the earliest upon expiration of 24 months from the point in time of the awarding of the option; for a partial amount totalling up to 50 percent at the earliest 36 months from the point in time of the awarding of the option; for a partial amount totalling up to 75 percent at the earliest 48 months from the point in time of the awarding of the option; and for the full amount at the earliest upon the expiration of 60 months after the point in time of the awarding of the option.

The number of SARs issued to a member of the Management Board (on average per year of the programme) is based on the intended total remuneration for that Management Board member, assuming that the internal forecasts for the development of the stock are achieved. Taking into account the requirements of the remuneration system, in particular the maximum remuneration, it is also possible to conclude another SAR agreement during the term of an SAR agreement.

Since the value development of the SARs is linked directly to the performance of the Company's stock price and vesting takes place over a total period of five years, the SAR programme creates an incentive to influence positively the Company's long-term performance in the interest of the shareholders. At the same time, the Management Board member not only participates in a positive development of the Company, but is also affected by a negative development of the stock price because of the exercise hurdle and the calculation of the amount that is paid out.

As the SAR programme has proven its value as a remuneration component to tie the Management Board members to the successful sustainable development of the Company's stock price, it was retained unchanged as part of the new remuneration system.

Mr Markus Huhn received a total of 360,000 SARs from the 2020 SAR tranche in fiscal year 2020. The issue price was €19.07 per option. The average market value per option was €22.71. The total value of the stock-based remuneration awarded in 2020 amounted to €1,310k.

Mr Alessandro Nava received a total of 600,000 SARs from the 2020 SAR tranche in fiscal year 2020. The issue price was €19,07 per option. The average market value per option was €22.71. The total value of the stock-based remuneration awarded in 2020 amounted to €2,184k.

No new options were awarded, no options were exercised and no SARs lapsed in fiscal year 2021.

SAR Tranche 2020	Number of SARs per 31/12/2020	Awarded in 2021	Exercised in 2021	Expired in 2021	Number of SARs per 31/12/2021
Markus Huhn	360,000	0	0	0	360,000
Alessandro Nava	600,000	0	0	0	600,000

There are no company-financed pension commitments to Management Board members or other remuneration components. No remuneration is paid to Management Board members for Supervisory Board positions at subsidiaries, nor were any benefits promised or granted by a third party to any Management Board member related to his/her activities as a Management Board member in the fiscal year. No advances or loans were granted to the Management Board members.

Adjustment of remuneration due to assumption of additional divisional responsibilities

In fiscal year 2021, the purviews of the Management Board members Mr. Huhn and Mr. Nava expanded because of a change in the assignment of responsibilities in the business distribution plan. The remuneration system explicitly allows for an appropriate adjustment of the remuneration under these circumstances. In view of this justified exceptional case within the sense of the remuneration system, the Supervisory Board has decided to increase the remuneration of the two Management Board members by €100k each as of fiscal year 2022. The increase for 2021 is one-time total payment for each and applied to the fixed remuneration because the extended divisional responsibilities could no longer be taken into account within the framework of the previously concluded target agreements. As of fiscal year 2022, the permanent distribution of the decided increase will be €50k to the fixed salary and €50k to the STI.

Claw-back clause

The remuneration system provides that "new employment contracts" should also include a so-called claw-back clause that can be invoked to request reimbursement, in whole or in part, of any short-term variable remuneration granted to the Management Board member if and when it is determined that the necessary prerequisites for the payment were in actual fact not fulfilled (e.g. manipulated or incorrectly calculated key figures). Similar provisions for long-term variable remuneration should be included in the contracts. These provisions are without prejudice to claims for damages and claims for unjustified enrichment.

There are no claw-back clauses in the current legacy contracts of the 1&1 Management Board members. However, there were also no grounds for 1&1 AG to request reimbursement or reduce variable remuneration in fiscal year 2021.

Remuneration-related legal transactions and severance arrangements

The term of the service contracts of the Management Board members is linked to their term of office. If the appointment of a member of the Management Board is revoked, the service contract also terminates. If the revocation is not based on good cause within the sense of Section 626 BGB, the employment contract does not end until a period of 12 months or the original term of office has expired, whichever happens first. Entitlements to payment of severance compensation in the event of resignation are not granted to the Management Board members. In all other respects, the Company observes the requirements of the DCGK for payments in the event of premature termination of the activity. According to the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. According to the remuneration system, if and when there is a post-contractual non-competition clause, any severance payment should also be offset against the waiting period compensation. Such a provision is not included in the current legacy contracts of the 1&1 Management Board.

There were no changes to these regulations in fiscal year 2021.

Post-contractual non-competition clause

The Management Board contracts contain a post-contractual non-competition clause with a term of up to one year. Unless the non-competition clause is waived by the Supervisory Board, the Management Board member is entitled to waiting period compensation in the amount of 75 percent to 100 percent of the last fixed remuneration he/she received. The Management Board member must accept the offset in full of any other income from a new activity against the waiting period compensation.

There were no changes to these regulations in fiscal year 2021.

Change of control regulations

Commitments for benefits in the event of premature termination of the employment contract by the Management Board member consequent to a change of control have not been agreed.

There were no changes to these regulations in fiscal year 2021.

Maximum remuneration

In accordance with the 1&1 remuneration system, the maximum remuneration that an ordinary Management Board member may receive arithmetically from the sum of all remuneration components, i.e. basic salary, STI, LTI (remuneration from SAR programme/term in years) and fringe benefits, may not amount to a total sum higher than €3.5 million euros p.a. (maximum remuneration).

The maximum remuneration for the Management Board chairperson may be a maximum of twice the maximum remuneration for an ordinary member of the Management Board.

The maximum remuneration is not a target total remuneration for the Management Board members deemed appropriate by the Supervisory Board, but solely an absolute upper limit that may not be exceeded under any circumstances. Should the payment of the LTI result in the maximum remuneration being exceeded, the entitlement from the LTI for the year in question in excess of the amount of the maximum remuneration will be forfeited. When payments are made on the basis of the LTI, however, the term of the LTI must be taken into account in each case when calculating the maximum remuneration. Payments from the programme must be distributed evenly over the years of the programme's term when assessing compliance with the annual maximum remuneration.

Both the STI and the LTI have an "upper limit" (cap) to ensure compliance with the maximum remuneration.

The current legacy contracts of the 1&1 Management Board members do not contain any limits for maximum remuneration, but they do contain "upper limits" for the STI and the LTI. The maximum remuneration (granted remuneration) was not reached in fiscal year 2021.

Remuneration of the Supervisory Board Members in Fiscal Year 2021

The members of the 1&1 AG Supervisory Board in fiscal year 2021 were as follows:

Supervisory Board members per 31 December 2021

- Kurt Dobitsch, Supervisory Board Chairman
  (since 16 October 2017; Supervisory Board chairman since 16 March 2021; member of "Audit and Risk Committee" since May 2021)

- Kai-Uwe Ricke, Supervisory Board Deputy Chairman
  (since 16 October 2017; deputy chairman since 13 November 2017)

- Matthias Baldermann
  (since 26 May 2021)

- Dr Claudia Borgas-Herold
  (since 12 January 2018; member "Audit and Risk Committee" since May 2021)

- Vlasios Choulidis
  (since 12 January 2018)

- Norbert Lang
  (since 12 November 2015; chairman "Audit and Risk Committee" since May 2021)

Resignation in fiscal year 2021

- Michael Scheeren
  (until 23 February 2021; Supervisory Board chairman until 23 February 2021)

In accordance with the resolution of the Annual General Meeting, every member of the Supervisory Board receives a fixed remuneration of €45k per fiscal year. The Supervisory Board chairman receives €55k, and the deputy chairman receives €50. Supervisory Board members who belong to the Supervisory Board or act as Supervisory Board chairperson or deputy chairperson for only part of the fiscal year receive the fixed remuneration pro rata temporis, rounded up to full months.

Every member of the Supervisory Board also receives an attendance fee of €1,000 for each participation in in-person meetings of the Supervisory Board. Insofar as meetings of the Supervisory Board do not take place in-person, but only virtually (in particular, if a meeting takes place only by telephone or only by video conference), the members of the Supervisory Board do not receive any attendance fee if the meeting does not last longer than one hour; half of the attendance fee if the meeting lasts longer than one hour, but less than two hours; and the full attendance fee if the meeting lasts two hours or more. Members who do not personally attend in-person meetings of the Supervisory Board (such as participation by telephone or video conference) always receive only 25 percent of the attendance fee; participation solely in the form of submission of a voting message does not give rise to any entitlement to an attendance fee.

The chairman of the Audit and Risk Committee receives an additional €20k per year and every other member of the Audit and Risk Committee receives an additional €15k per year for their service on the Audit and Risk Committee. A member of the Supervisory Board who is a member of the Audit and Risk Committee or has chaired the Audit and Risk Committee for only part of the fiscal year receives the additional remuneration pro rata temporis, rounding up to full months. The Company must support the members of the Audit and Risk Committee in obtaining necessary training and further education and must also bear the costs incurred for any such measures in a reasonable scope.

The table below shows the remuneration granted and owed individually to the Supervisory Board members. The remuneration components are disclosed according to the following principles:

- The fixed remuneration for the Supervisory Board and for membership in any committees is disclosed as "granted" in the fiscal year in which the activity/service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The same applies to the attendance fee. The attendance fee granted for Supervisory Board meetings is also disclosed as "granted" in the fiscal year in which the activity/service on which the remuneration is based was fully performed, regardless of the time of inflow or payment. The attendance fee is regarded as variable remuneration.

In accordance with the aforementioned principles, 1&1 does not disclose any owed remuneration.

Remuneration Granted to the Supervisory Board Members

in €k		Fix	Attendance fee	Total	Proportion Fix/Var
Kurt Dobitsch	2021	62	4	66	94 % / 6 %
	2020	45	4	49	92 % / 8 %
Kai-Uwe Ricke	2021	48	4	52	92 % / 8 %
	2020	45	4	49	92 % / 8 %
Matthias Baldermann	2021	26	2	28	93 % / 7 %
	2020	0	0	0	0 % / 0 %
Dr Claudia Borgas-Herold	2021	54	4	58	93 % / 7 %
	2020	45	4	49	92 % / 8 %
Vlasios Choulidis	2021	45	4	49	92 % / 8 %
	2020	45	4	49	92 % / 8 %
Norbert Lang	2021	57	4	61	93 % / 7 %
	2020	45	4	49	92 % / 8 %
Michael Scheeren	2021	9	1	10	90 % / 10 %
	2020	55	4	59	93 % / 7 %
Total	2021	**301**	**23**	**324**	**93 % / 7 %**
	2020	**280**	**24**	**304**	**92 % / 8 %**

Comparative Presentation of the Remuneration Development

In compliance with the requirements of Section 162 (1) second sentence, no. 2 AktG, the following table shows the annual change in the remuneration of the Management Board members, the Supervisory Board members and the total workforce (employees of the 1&1 Group worldwide, excluding the members of the Management Board of the (single) company 1&1 AG) as well as the annual change in the revenue and earnings figures of the group and the earnings of the (single) company.

Comparative Presentation

	Change 2021 over 2020
Remuneration of the Management Board members	
Ralph Dommermuth	0.0 %
Markus Huhn	+ 19.8%
Alessandro Nava	+ 17.1%
Remuneration of the Supervisory Board Members	
Kurt Dobitsch	+ 34.7%
Kai-Uwe Ricke	+ 6.1%
Matthias Baldermann	(a)
Dr Claudia Borgas-Herold	+ 18.4%
Vlasios Choulidis	0%
Norbert Lang	+ 24.5%
Michael Scheeren	- 83.1%
Remuneration of employees	
Ø Remuneration of the total workforce (on an FTE basis)	+ 4.3%
Corporate Development	
Revenue in the Group	+ 3.2 %
EBITDA (operating) in the Group	+ 5.3 %
Annual result of the single company	+ 128.4 %

(a) New member in the current fiscal year

External (horizontal) comparison

According to DCGK (Recommendation G.3), the Supervisory Board should select a suitable peer group of companies (and disclose the companies in the selected group) to assess the customary nature of the specific total remuneration of the members of the Management Board in comparison to other companies.

The 1&1 AG Supervisory Board uses all companies that are also listed on the TecDax as comparative companies to assess the specific total remuneration of the members of the Management Board.

At the last review, these companies were: Aixtron SE, Bechtle AG, Cancom SE, Carl Zeiss Meditec AG, Compugroup Medical SE &Co. KGaA, Deutsche Telekom AG, Drägerwerk AG & Co. KGaA, Eckert & Ziegler Strahlen- und Medizintechnik AG, Evotec SE, freenet AG, Infineon Technologies AG, Jenoptik AG, LPKF Laser & Electronics AG, MorphoSys AG, Nemetschek SE, New Work SE, Nordex SE, Pfeiffer Vacuum Technology AG, QIAGEN NV, S&T AG, SAP SE, Sartorius Aktiengesellschaft, Siemens Healthineers AG, Siltronic AG, Software Aktiengesellschaft, TeamViewer AG, Telefónica Deutschland Holding AG and Varta AG.

Maintal, 10 March 2022

Ralph Dommermuth	Markus Huhn	Alessandro Nava

1&1 Aktiengesellschaft

Translation from the German language

Report of the independent auditor on the audit of the remuneration report pursuant to Sec. 162 (3) AktG To 1&1 Aktiengesellschaft

Opinions

We have audited the remuneration report of 1&1 Aktiengesellschaft (formerly 1&1 Drillisch Aktiengesellschaft), Maintal, for the fiscal year from 1 January to 31 December 2021 to formally verify whether the disclosures required by Sec. 162 (1) and (2) AktG ["Aktiengesetz": German Stock Corporation Act] have been made. In accordance with Sec. 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by Sec. 162 (1) and (2) AktG have been made in the attached remuneration report in all material respects. Our opinion does not cover the content of the remuneration report.

Basis for the opinion

We conducted our audit of the remuneration report in accordance with Sec. 162 (3) AktG with due regard to the IDW Assurance Standard: Audit of the Remuneration Report in Accordance with Sec. 162 (3) AktG (IDW AsS 870). Our responsibilities under this provision and standard are further described in the "Auditor's responsibilities" section of our report. As an audit firm, we applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1). We have complied with the German professional responsibilities in accordance with the WPO ["Wirtschaftsprüferordnung": German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditors)] and the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German sworn auditors], including the independence requirements.

Remuneration of the Management Board and Supervisory Board

The Management Board and Supervisory Board are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Translation from the German language

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the disclosures required by Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects and to express an opinion on this in a report.

We planned and performed our audit so as to determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Sec. 162 (1) and (2) AktG. In accordance with Sec. 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Consideration of misrepresentations

In connection with our audit, our responsibility is to read the remuneration report considering the knowledge obtained from the audit of the financial statements and, in so doing, remain alert for indications of whether the remuneration report contains misrepresentations in relation to the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

If, based on the work we have performed, we conclude that there is a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Eschborn/Frankfurt am Main, 14 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hanft	Kemmerich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]