VSOP FAQ

This is just the first piece of general information on our upcoming VSOP program. Once we actually roll it out, there will be more information artefacts (e.g. the grant plan that determines how many virtual shares would be allotted to people based on their job family and level).

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VSOP Equity calculator

Introduction

Information about Camunda's Virtual Employee Stock Option Plan 2021 ("**VSOP**")

Version 1.1 (September 2021)

Camunda is on an exciting journey with the clear ambition to create value for our shareholders and we want our employees to benefit from that shared success.

This FAQ version refers to the VSOP as it was adopted by the shareholder resolution on June 28, 2021. It is meant to help you understand how you can potentially participate in this ambition, with the idea of being easier to read than the full legal terms and conditions of the VSOP (including Allotment Letters). Please note, however, that only the VSOP and the Allotment Letter are decisive and that this FAQ is only provided for information purposes. Hence, please see the important legal notice and disclaimer below.

The VSOP is granted by a German company (Camunda Services GmbH) and therefore automatically governed by German law. Because of this, we need to mention the exact German legal term in some places to avoid misunderstandings.

Important Legal Notice and Disclaimer

This is not a comprehensive overview of all relevant aspects of the VSOP. There may be other questions, aspects, circumstances, facts, interests, needs or issues which are of importance /applicable to you but are not addressed herein. The answers below are only a simplified summary of certain aspects and are provided for a first orientation only. Camunda Services GmbH ("Camunda" or "we") does not provide any legal or tax advice with respect to the VSOP (including any Allotment Letter) whatsoever. This FAQ is not intended to nor can it replace a careful, thorough and in depth assessment, review and analysis of the plan terms of the VSOP and your respective Allotment Letter by you. You are encouraged to seek your own legal and tax advice before making any decision whether or not to participate in the VSOP or sign an Allotment Letter.

What is the VSOP and how does it work?

The VSOP is designed to provide you with an incentive remuneration that can let you participate in an increased equity value of Camunda. You can think of the VSOP as an Exit-triggered variable bonus payment. This means that in case of an Exit (as explained below), you as a Beneficiary can be entitled to a cash payment. How much you will receive depends on the number of your vested Virtual Shares at such point in time and on the success achieved by Camunda's shareholders in the Exit as further explained below. In case of an IPO of Camunda, a different set of rules apply that are also explained further below.

What are Virtual Shares?

A Virtual Share seeks to economically emulate a fraction of an actual Common Share in the share capital of Camunda. The Virtual Share is used as a basis to determine how you might participate in an Exit or IPO success. To be more precise: one Virtual Share is meant to economically emulate EUR 0.01 of the nominal capital of one Common Share in Camunda. As Common Shares in Camunda have a nominal capital of EUR 1.00 each, this means that every Virtual Share shall economically emulate 1/100th of one Common Share.

As a holder of Virtual Shares you are not an actual shareholder in Camunda. Virtual Shares are not actual shares in Camunda and do not have the same rights and privileges as an actual share. In particular, Virtual Shares do not confer any voting rights, rights to receive dividend payments or rights to participate in shareholders' meetings of Camunda. They are also not options to acquire actual shares in Camunda at a later point in time.

Who can get Virtual Shares?

Effective 1st April 2022, every Camunda employee will be offered virtual shares (except for part time employees, employees on a fixed term contract, working students, interns, and already existing beneficiaries).

Anyone who gets Virtual Shares allotted is considered a "Beneficiary". Camunda's management board is formally responsible to select the Beneficiaries and decide upon the details of the allotment of Virtual Shares. The idea of the VSOP is to let our employees (no matter if employed by Camunda Services GmbH or another company of the Camunda Group or via a PEO) participate in our company's success, so in general the program will focus on these groups. In some cases however, we might also grant Virtual Shares to outside contributors, for example independent members of our advisory board. The actual number of Virtual Shares allotted to individual employees will be based on a virtual shares grant plan that is separately developed.

How are the Virtual Shares allotted?

Camunda's VSOP comprises two documents, the VSOP plan terms, containing the general rules and conditions that apply to the program, and a so-called Allotment Letter that sets forth, amongst others, the number of allotted Virtual Shares, the relevant Base Price and details about the vesting of the Virtual Shares. The actual allotment of Virtual Shares to a Beneficiary happens when Camunda and the Beneficiary sign the Allotment Letter.

How many virtual shares will be offered?

This primarily depends on the job grade of the employee's role. The higher the grade, the more shares will be offered. Employees whose role is job grade 3 or 4 are not offered any shares.

In addition, there is a general equity bump (+25%) for a few job families that are classified as "Hot Market", meaning that these job families are both most critical to our product and/or revenue, and they are very hard to staff due to a competitive talent market. "Hot Market" classification will adjust over time, i. e. a certain job family might be "hot market" today, but might not be "hot market" tomorrow (such a change would not mean, however, that virtual shares would retrospectively be allotted in addition or removed from what has been allotted already). Currently, these job families are classified as "Hot Market":

- Engineering
- Product Management
- Consulting
- Sales (AE and AE managers only)

The VSOP Equity Calculator (found in your OKTA applications) allows you to select a job family and job grade, and will then tell you how many virtual shares would be offered to an employee that is staffed in that role. Virtual Shares are a fixed number and cannot be negotiated.

What is Vesting?

Getting Virtual Shares allotted does not mean that you're already entitled to participate in an Exit or IPO success. You first need to vest your allotted Virtual Shares which will happen on a time schedule, generally monthly and linear over a period of four years. If you become a so-called Leaver (i.e., you leave the Camunda Group) during such Vesting Period, the vesting will automatically cease and you will vest no further Virtual Shares. Please note that a 12 months' Cliff period applies that will start on the Effective Date set forth in your Allotment Letter*. That means that in case you become a Leaver during such a Cliff period, you will not have vested any Virtual Shares.

Example: You've been allotted 48 Virtual Shares. You are vesting 1 share per month. This means that, given a 4-years vesting schedule, it takes 48 months from the Effective Date until you are fully vested. For your allotment a 12 months' cliff period applies. If you become a Leaver after 11 months, i.e. within the Cliff period, you will have vested no Virtual Shares at all. However, if you become a Leaver after 36 months, you will have vested 75% of your allotted Virtual Shares, i.e. 36 Virtual Shares.

Your Vesting Period may be suspended and, hence, prolonged in certain cases, for example if you are not working for the Camunda Group on a full-time basis.

*Note: *If you joined Camunda on or before April 1, 2021, the virtual shares allocated to you in April 2022 will be fully vested April 1, 2025 (3 yrs). If you joined after April 1, 2021 you will be fully vested 4 years from your start date.*

What if I leave Camunda?

In principle, if you leave a Camunda Group Company, you can keep the Virtual Shares that you have vested by then and participate in a subsequent Exit or IPO success once it happens, unless for any of these reasons:

- You are still within the Cliff period at the time of your departure. This is an initial period of typically 12 months at the beginning of your Vesting Period. Your Vesting Period begins with the so-called Effective Date which you will find in your Allotment Letter. If you leave the Camunda Group within the Cliff period (for whatever reason), you won't keep any Virtual Shares.
- Camunda decides to settle your vested Virtual Shares, which would mean that you would receive a cash payment with an amount that depends on an approximation of the current company value, in each case minus the Base Price (the exact logic and when such an early settlement can happen is described in the VSOP)
- You are considered a "bad leaver". These are rare cases, for example if you would be terminated for Cause, e.g. for facts constituting a particularly bad behaviour (“fristlose Kündigung”). The exact definition of “bad leaver” can be found in the VSOP. In such a case, you won't keep any Virtual Shares, including those that you had already vested.
- neither an Exit nor an IPO has occurred within a period of eight (8) years after the respective Effective Date.

Do I need to exercise my Virtual Shares?

No. While it is a standard feature in many US employee stock option plans to require the beneficiary to exercise their vested stock options within a certain period, this is not the case in our VSOP.

What is the Base Price?

The Allotment Letter will set forth a Base Price that is applicable to the respective Virtual Shares. The Base Price is relevant for the calculation of your Exit Payment (as further explained below) but is not a "strike price" that you actually have to pay to Camunda.

The Base Price is defined in your Allotment Letter and is basically there to reflect the value of Camunda at the point in time that you have been alloted the Virtual Shares. The idea is that you should deserve a success participation for the additional company value that you have helped to create following the allotment of your Virtual Shares. As a general rule, Virtual Shares that are allotted at a later point in time will have a higher Base Price than earlier allotments.

The base price is generally adjusted every quarter. For example, the base price for Q1-2022 is 31 EUR, which means that if an employee joins Camunda in Q1-2022 and receives a VSOP offer, the base price in that offer would be 31 EUR.

For those employees that have been with Camunda for a longer time, we have decided to offer a lower base price to acknowledge their tenure. For example, if you joined Camunda on or before April 1, 2021, then the base price offered to you would be 21 EUR. For those that joined in the years before 2021, the base price is lower, depending on the calendar year that they joined (i.e., start date) the company. For example, for those that joined the company in 2020, the base price is 20 EUR, for those that joined in 2019 it is 18 EUR, and so on. For those that joined the company in 2010 or earlier, the base price is 0 EUR.

What is an Exit?

If a majority of the share capital in Camunda gets acquired or Camunda sells the majority of its assets to a third party, this is considered an "Exit".

Certain restructurings, e.g. the so-called flip of Camunda into a foreign holding structure or change of form into e.g. a stock corporation as such do not constitute an Exit. However, such measures can for example be implemented to prepare Camunda for an IPO (see below).

What if an Exit or IPO happens before my Cliff period has expired?

As explained above, no Virtual Shares will vest prior to the expiration of the Cliff period. This means that you would not be entitled to any payment under the VSOP if the Exit or IPO occurred during the Cliff period.

What if an Exit or IPO happens after the Cliff but before I'm fully vested?

You will participate in that success based on the number of Virtual Shares that you have vested by then. Your unvested Virtual Shares will be cancelled and forfeited.

How do I participate in an Exit success?

If an Exit occurs and subject to your applicable vesting scheme (see also above), you will be entitled to a cash-payment (the so-called "Exit Payment").

The Exit Payment will be determined by this formula (if the resulting value is negative, the Exit Payment amount is zero, i.e. you will not be entitled to any payment but will likewise not have to make any payment to Camunda):

Q x VVS x (EP x 0.01 – BP)

With

Q - Percentage of Common Shares sold in the Exit in relation to all Common Shares outstanding and/or issuable at the time of the Exit. In the event of a complete sale "Q" shall be equal to 1;

VVS - Amount of Virtual Shares you have vested;

EP - Exit Proceeds, i.e. net proceeds payable or distributable to the holders of Common Shares per one Common Share that are reduced by the Transaction Costs of the respective Exit, potentially the costs and expenses resulting from any equity-based or virtual incentive scheme (including the VSOP) triggered by the Exit and may be further reduced by liquidation preferences granted to certain shareholders in Camunda; and

BP - Base Price of your Virtual Shares set forth in your Allotment Letter.

How are payments under the VSOP taxed in Germany?

We believe that neither the allotment of the Virtual Shares nor the vesting of the Virtual Shares will be taxable events if you are a German tax resident. Nevertheless, you should confirm this assumption with your German tax advisor. You will, however, need to pay taxes and social surcharges (if applicable) upon your receipt of proceeds under the VSOP (which will usually be a cash payment but may in case of an IPO also be the allocation of ordinary shares in Camunda or its legal successor). Such proceeds will constitute income from employment but not capital gains. The applicable tax rate will depend on your specific circumstances.

What if I am not a tax resident in Germany?

If you are not a German tax resident, please consult your local tax advisor for an exact analysis of the tax implications of the VSOP under your applicable local laws.

In particular when you are living in the United States of America, certain specific rules set forth in the US Annex to the VSOP may apply (see next question).

How is the VSOP plan different if I'm a US tax resident?

The US Supplement in Annex A of the VSOP plan modifies certain provisions of the VSOP plan to ensure compliance with US laws and regulations. Most importantly, it ensures that the VSOP plan is compliant with Section 409A of the United States Internal Revenue Code, which imposes certain rules and other U.S. federal income tax consequences on deferred compensation generally (including deferred compensation in the form of share or share-based compensation). The most significant difference is that US tax residents are eligible to receive an Exit Payment or IPO Payment, as applicable, only if the Exit or IPO occurs no later than the seventh (7th) year anniversary of the Effective Date set forth in the applicable Allotment Letter vs. no later than the eighth (8th) year anniversary for all other non-US tax residents. The US Supplement in Annex A also includes a few changes that redefine certain terms according to US law, including terms such as "good reason," "disability" and "cause."

Since the VSOP plan is fully 409A compliant, participants also do not have to pay any taxes at the time of share allotment. Any proceeds due to participants will ordinarily get taxed on an income-from-employment basis only upon your receipt of proceeds under the VSOP.

What happens if I am taxable in more than one country?

Between many countries treaties are in place that should avoid double taxation. The terms of the treaties differ for each country combination. Please understand that Camunda cannot comment on your personal tax situation. Please consult your tax advisor.

What is an IPO?

An IPO (Initial Public Offering) means that shares in Camunda or its legal successor would be listed for the first time on a stock exchange (e.g., at the New York Stock Exchange).

How do I participate in an IPO success?

If an IPO occurs, you might receive a cash payment, or an economic equivalent number of options to acquire actual shares, or actual shares in the Company (or its successor). The decision which of these options becomes available to you will be made by Camunda.

If vested Virtual Shares are settled in options to acquire actual shares, you will receive options to acquire listed shares reasonably prior to or at any time after the occurrence of an IPO. Any options or shares you may receive might be subject to certain lock-up periods or, in case of a settlement in actual shares, the actual shares may only be due for transfer after the expiration of such lock-up periods. The granting of actual shares will likely trigger tax liabilities. To pay for such taxes, a certain number of such listed shares may need to be sold to settle the tax liabilities before such tax liabilities become due and payable. Such sales would then need to be made irrespective of the prevailing share price.

If vested Virtual Shares are settled in cash, you shall receive a payment which will be determined by this formula (if the resulting value is negative, the payment amount is zero, i.e. you will not be entitled to any payment but will likewise not have to make any payment to Camunda):

VVS x (VWAP x 0.01 – BP)

With

VVS - Amount of Virtual Shares you have vested;

VWAP - Volume-weighted average price (VWAP) for Camunda's then listed shares following the IPO (the average price will be determined over a certain time period, which could be between 10 and 180 trading days); and

BP - Base Price of your Virtual Shares.

Please note that the aforesaid formula is simplified and does for example not reflect a share split or similar measure ahead of an IPO.

When will the Company make the payments after an Exit or an IPO?

Formally, the Beneficiary's payment entitlements under the VSOP shall become due and payable forty (40) calendar days after the respective amounts can reasonably be determined.

Please note that 20% of that payment amount will be paid by the Company into an escrow account. This amount shall be paid out to you in four (4) equal instalments in arrears for every full three (3) months period following the Exit or IPO, provided that you have not terminated your employment other than for Good Reason and have not been terminated by Camunda (or PEO) for Cause (in which case, any escrow amount that has not yet been paid out shall be forfeited). Such a lock-up escrow mechanism is a common instrument to avoid people leaving the company right after an Exit or IPO. Depending on the situation, the management board may decide to make advance payments on the expected Exit Payments or to waive the lock-up requirement (in full or in part).

Can I sell my Virtual Shares?

No. Beneficiaries may not sell or transfer their Virtual Shares other than in case of death to their heirs (*Erben*).

Are my Virtual Shares heritable?

Yes, your rights under the VSOP, in particular your vested Virtual Shares, are heritable (*vererblich*).

Can I purchase additional Virtual Shares?

No. Beneficiaries cannot purchase additional Virtual Shares at this time.

Can I accept a lower salary for a higher amount of Virtual Shares?

No. Virtual Shares are a fixed number and cannot be negotiated.

Can the VSOP be amended, replaced or terminated?

Yes, in general Camunda is allowed to modify, amend etc. the VSOP. For example, Camunda could decide to exchange Virtual Shares with actual shares (in which case you may elect to receive options to acquire those actual shares). Any such alternate program must provide materially comparable benefits to you as provided to you under the VSOP, unless explicitly accepted otherwise by you.

Has the VSOP a fixed term and what happens if such term expires?

The VSOP has a term of eight years after the respective Effective Date. The Effective Date marks the beginning of your vesting and is set forth in the respective Allotment Letter. In the event that neither an Exit nor an IPO has occurred within such an eight years period such Beneficiary's rights and obligations shall automatically expire and have no further effect.

What if Camunda raises further financing rounds?

Camunda has raised two financing rounds so far (Series A in 2018, and Series B in 2021). We might decide to raise more money in one or more financing rounds (e.g. do a Series C etc.) in the future, which means that we would increase Camunda's share capital and issue more stock, which an investor would acquire in return for putting money into Camunda (also called “primary funding”). The effect of additional stock issuances is that while you will own the same number of Virtual Shares as you did before such issuance, there will be more total shares outstanding and, as a result, you will own a smaller relative economic share (percent of the company) – this is called dilution. This typically affects existing company shareholders such as the founders and the holders of Virtual Shares alike.

Dilution does not necessarily mean reduced value. When a company raises money the value of stock at that point as agreed with the (new) investors will stay the same because the company’s new valuation will be equal to the old valuation of the company + the sum of the new capital raised through a primary funding. For example, if company XYZ has been given a valuation of $100m and it raises $25m, company XYZ now has a valuation of $125m. If you owned 5% of $100m before, you now own 4% of $125m (20% of the company was acquired by the new investors, or, said differently, your 5% stake was diluted by 20%). The 5% stake had a valuation of $5m before the fundraising, but the 4% stake has still the same valuation of $5m after the fundraise.

In other words, your slice of the cake gets relatively smaller, but the cake might become absolutely bigger.

Who shall I contact with further questions?

Slack: #vsop

For confidential matters: Kelsey Connolly