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## **Remuneration scheme for the Management Board**

### **Dialogue with shareholders on remuneration issues during the financial year**

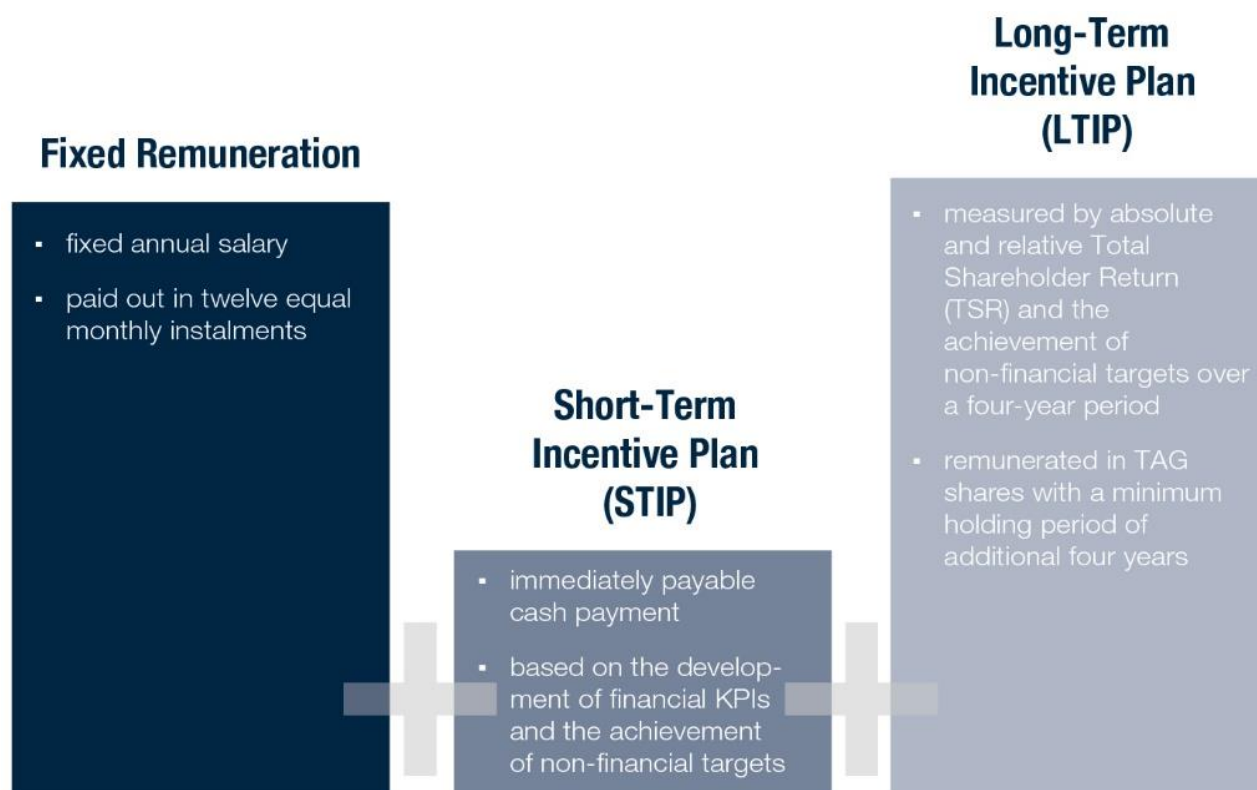
At the Annual General Meeting on 16 May 2023, the resolution to approve the remuneration report for the 2022 financial year prepared in accordance with Section 162 AktG was rejected by the shareholders with 58.1% voting against. In contrast, the previous year, the remuneration report for the 2021 financial year was approved with 83.7% voting in favour. The last resolution on the remuneration system was passed at the Annual General Meeting on 11 May 2021. The approval rate was 99.9% (remuneration system for the Supervisory Board) and 94.4% (remuneration system for the Management Board).

In the 2023 financial year, the Chairman of the Supervisory Board and the Management Board of TAG held numerous discussions with shareholders and proxy advisors on issues relating to the remuneration of the executive bodies. This was also the subject of two virtual corporate governance roadshows in February and December 2023, during which TAG contacted the 25 largest shareholders representing over 60% of the capital. The aim of these discussions was to analyse the reasons for the rejection of the resolution to approve the remuneration report for the 2022 financial year and to understand shareholders' current ideas regarding the remuneration of the executive bodies.

As a result, the content and structure of the remuneration report for the 2023 financial year were fundamentally revised. The new structure and the added overviews are intended to improve the comprehensibility of the remuneration report. Information has also been added to further increase the transparency of the remuneration report. The request expressed by numerous shareholders to include non-financial targets (ESG targets) not only in the Short-Term Incentive Plan (STIP) but also in the Long-Term Incentive Plan (LTIP) was complied with from the 2023 financial year onwards, after this option had already been created as part of the last resolution on the remuneration system in 2021. The corresponding details are presented below.

### Overview of the remuneration system

The members of TAG's Management Board receive non-performance-related fixed remuneration and variable remuneration, which is paid partly in cash and partly in the form of TAG shares. The fixed and variable remuneration is paid exclusively by TAG Immobilien AG; no remuneration is paid to subsidiaries. The following chart provides an overview of the main components of Management Board remuneration:



The **fixed remuneration** totalled TEUR 480 p.a. as at the reporting date, compared to TEUR 420 p.a. at the end of the previous year.

The **target remuneration** for the STIP totalled TEUR 150 p.a. in the past financial year (previous year: TEUR 150 p.a.) and was limited to a maximum of TEUR 200 p.a. (previous year: TEUR 200 p.a.).

The **target remuneration** for the LTIP totalled TEUR 250 p.a. in the past financial year (previous year: TEUR 250 p.a.) and was limited to a maximum of TEUR 500 p.a. (previous year: TEUR 500 p.a.).

The **total target remuneration** of a member of the Management Board at the end of the financial year therefore amounted to TEUR 880 p.a. (previous year: TEUR 820 p.a.) plus fringe benefits, such as private use of a car, which may not exceed TEUR 20 p.a. The maximum remuneration per member of the Management Board was TEUR 1,200 p.a. (previous year: TEUR 1,140 p.a.).

## Fixed remuneration

The non-performance-related remuneration takes the form of a fixed annual salary, which is paid in twelve equal monthly instalments.

The amounts paid to the members of the Management Board in the reporting year are listed below:

in TEUR

Name	2023	2022	Change (%)
Claudia Hoyer	440	420	4.8
Martin Thiel	440	420	4.8

The fixed remuneration of the two members of the Management Board was increased from TEUR 35 per month to TEUR 40 per month with effect from 1 September 2023. This corresponds to a new fixed annual remuneration of TEUR 480 compared to the previous TEUR 420.

The Supervisory Board decided on this increase in view of the good performance of the two Management Board members, which was reflected, for example, in the successful development of business activities in Poland and the refinancing measures consistently implemented in a difficult market environment. When calculating the amount, in addition to a comparison with other listed property companies with residential real estate in Germany (see also the peer group below), the fact that the last increase in fixed remuneration took place with effect from 1 October 2016 was also taken into account. The increase of TEUR 60 p.a. or 14.3% corresponds to an annual increase of approximately 2% and also corresponds to the development of TAG employees' salaries during this period.

## Variable remuneration

### Overview

In accordance with Section 87 (1) AktG, the total remuneration of a Management Board member must be commensurate with the duties and performance of the Management Board member and the situation of the company and may not exceed the usual remuneration without special justification. The remuneration structure should be geared towards sustainable corporate development and the long-term development of the Company.

Variable remuneration components must be calculated over several years; a cap must be agreed for extraordinary developments.

The variable remuneration valid since the approval by the Annual General Meeting on 11 May 2021 distinguishes between a Short-Term Incentive Plan (STIP) and a Long-Term Incentive Plan (LTIP).

### **Contribution of remuneration to the promotion of corporate strategy and long-term development**

The variable remuneration components are intended to incentivise the sustainable and long-term development of TAG and the creation of sustainable corporate values along the value chain. They contribute to the long-term commitment of the members of the Management Board. The long-term components of variable Management Board remuneration should exceed the short-term components and reflect the development of the Company in a short-term period related to the respective financial year and a long-term four-year period. In order to do justice to the growing importance of sustainability as part of the corporate strategy, the achievement of non-financial targets is taken into account when determining variable remuneration.

### **Short Term Incentive Plan (STIP)**

The STIP is based on the development of financial key performance indicators (KPIs) and the achievement of non-financial and individual targets. The STIP represents cash remuneration payable immediately following the Supervisory Board's resolution on variable remuneration for the respective financial year and is determined on the basis of the criteria listed below.

#### **Financial key performance indicators**

- Increase in **EPRA-NTA per share** in the financial year (after elimination of a dividend paid in the financial year): each EUR 0.01 increase in EPRA NTA per share is multiplied by EUR 200.00
- Increase in **FFO I per share** in the financial year: each increase in FFO I per share by EUR 0.01 is multiplied by EUR 17,750.00

#### **Non-financial targets**

- Achievement of the non-financial target based on the **risk assessment by the external ESG rating agency Sustainalytics**:
  - o "Negligible risk": remuneration of TEUR 25
  - o "Low risk": remuneration of TEUR 15
  - o "Medium risk": remuneration of TEUR 5
  - o "High risk" or "Serious risk": no remuneration

#### **Individual targets**

- Achievement of the individual targets agreed between the Chairman of the Supervisory Board and the Management Board member, which are to be oriented towards the respective activities of TAG and its business strategy, including sustainable corporate development. Depending on the degree of target achievement, the STIP remuneration determined on the basis of the key financial figures and the non-financial target can be increased by up to 10%, remain unchanged or be reduced by up to 10%.
- In the 2023 financial year, the individual targets related to the implementation of the sales programme in Germany, which led to a total net cash proceed of around EUR 250m, as well as the successful refinancing of the financial liabilities maturing in 2023 and early 2024 (bridge financing from the acquisition of ROBYG S.A.). In the previous year, the individual targets included the merger of the two Polish subsidiaries into a joint organisation, the optimisation of internal structures in property management and also refinancing targets.

### Target metrics for 2023

In order to achieve the target remuneration of TEUR 150 p.a., the STIP assumes an average annual increase in EPRA-NTA per share and FFO I per share of around 5%, a "low" risk assessment in the external ESG rating and no further adjustment (+/- 10%) based on the individual targets. This results in the following weighting and the other values shown for the past financial year:

Metric	Weight (%)	Threshold	Target	Maximum
<b>Financial</b>				
EPRA NTA per share	15	20.74 €	21.85 €	0
FFO I per share	75	1.19 €	1.25 €	0
<b>Non-financial</b>				
Risk assessment by an external rating agency	10	(Medium risk)	(Low risk)	(Negligible risk)
<b>Modification</b>				
Individual targets	0	-10%	0%	10%
<b>Total</b>	<b>100</b>			

The threshold values for EPRA-NTA per share and FFO I per share are based on the values of the immediately preceding financial year, as only an increase in these key financial figures compared to the previous year is remunerated. A decrease compared to the previous year or an unchanged value does not result in any remuneration.

The maximum annual remuneration for the STIP (total cap) of TEUR 200 p.a. is not broken down into individual sub-caps with regard to the financial key figures. The overall cap remains in place. In the risk assessment by an external ESG rating agency, the maximum remuneration of TEUR 25 p.a. is achieved by achieving the risk category "negligible risk". As part of the fulfilment of individual targets, the maximum surcharge on the amount previously determined by the achievement of financial and non-financial targets is 10%. However, even after applying this modification, the overall cap for the STIP may not be exceeded.

### Target achievement for 2023

The following targets were achieved for the STIP in the past financial year:

Metric	Actual	Compensation (in TEUR)
<b>Financial</b>		
EPRA NTA per share	18.31 €	0
FFO I per share	0.98 €	0
<b>Non-financial</b>		
Risk assessment by an external ESG rating agency	achieved	25
<b>Modification</b>		
Individual metrics	0%	0
<b>Total</b>		<b>25</b>

With regard to a modification due to the fulfilment of personal targets (possible increase or reduction of the STIP remuneration by up to 10%, i.e. for 2023 up to +/- EUR 2,500), it was assumed for the purposes of this remuneration report that, as in the previous year, the Supervisory Board will not make any adjustments for the 2023 financial year.

## Long Term Incentive Plan (LTIP)

The LTIP is measured by

- The **total shareholder return (TSR) performance** for shareholders (as the sum of the share price increase and the dividends paid in the respective financial year, **weighting: 80%**) and
- the **achievement of non-financial targets (weighting: 20%)**.

in each case over a period of four years.

Non-financial targets will be taken into account in the LTIP for the first time at the beginning of the 2023 financial year. Previously, the Annual General Meeting on 11 May 2021 had granted a corresponding authorisation for the Supervisory Board as part of the approval of the Management Board remuneration system, which has now been exercised following the specification of TAG's strategic non-financial targets for the 2021 and 2022 financial years. In this respect, the non-financial targets are relevant for the first time for the 2023–2026 LTIP tranche with a weighting of 20% of the LTIP remuneration. For the previous LTIP tranches, which run until the 2025 financial year, only the TSR is relevant (i.e. 100% weighting).

The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on the variable remuneration at the end of the respective four-year period. The members of the Management Board may not dispose of the TAG shares granted under the LTIP for a further period of four years, and in particular may not sell them or transfer them in any other way (**further four-year holding obligation**). However, the shares are entitled to dividends and voting rights during this holding period.

The number of TAG shares allocated but not yet available from previous LTIP tranches totalled 7,400 each for both members of the Management Board as at the reporting date, as in the previous year.

The basis for calculating the number of TAG shares to be transferred is the volume-weighted average price (VWAP) of the TAG share over a period of two months before the end of the respective financial year.

The members of the Management Board have the option of requesting a partial conversion of the share remuneration into a cash payment up to a maximum of the amount of income tax (including solidarity surcharge and church tax) from the share allocation. The payment obligation of the members of the Management Board to TAG arising from the payment of the aforementioned tax is then offset against the cash payment claim.

## TSR-Performance-Figures

TSR performance is measured according to:

- **Absolute TSR performance:** the performance of the TAG share over a four-year period, which begins anew each year, and
- **Relative TSR performance:** the relative performance of the TAG share in relation to the performance of a selected group of competitors (peer group) over this period.

The basis for measuring the share price performance is the VWAP of the TAG share or the shares of the peer group over a period of two months before the reporting date of the financial year at the beginning and end of the performance period.

The target TSR was set at 40% for the four-year performance period (i.e. approx. **10% target TSR on an annualised basis**) and results in the following remuneration:

- If the actual TSR corresponds to the target TSR, the LTIP share remuneration amounts to TEUR 250 p.a.
- If the actual TSR is above or below the target TSR, the amount is calculated or adjusted accordingly on a straight-line basis (e.g. an actual TSR of 20% in a four-year performance period leads to an LTIP share remuneration of  $TEUR\ 20/40 \times 250 = TEUR\ 125$ ).
- If the actual TSR is negative, the LTIP share remuneration is TEUR 0.

### Absolute TSR performance

Target	Payout (in TEUR)
Actual TSR is negative	0
Actual TSR = 40% increase overall	250

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or worse, is taken into account by means of premiums or discounts:

- If the actual TSR is better than the performance of the peer group, a premium of 25% is applied.
- If the performance is worse than that of the peer group, a discount of 25% is applied.

### Relative TSR performance

Target	Adjustment
Actual TSR = 2% worse than the peer-group average	-25%
Actual TSR = 2% better than the peer-group average	25%

The peer group is made up of listed property companies that hold a significant share of residential real estate in Germany. The peer group currently comprises the following companies: Vonovia SE, Deutsche Wohnen SE, LEG Immobilien SE, Grand City Properties S.A. and Adler Group S.A. The companies mentioned are equally weighted.

### Achievement of non-financial targets

The non-financial targets are set by the Supervisory Board each year for the next LTIP period, i.e. for the next four years. The following targets were set for the 2023–2026 LTIP tranche:

#### Non-financial targets LTIP 2023–2026

Target	Weight within non-financial targets	Target compensation (in TEUR)
Reduction of CO <sub>2</sub> emissions within the German portfolio by 10%	40%	20
Tenant satisfaction >70%	40%	20
Social projects within TAG foundation of at least TEUR 150 p.a.	20%	10
<b>Total</b>	<b>100%</b>	<b>50</b>

The total target remuneration for the non-financial targets of TEUR 50 p.a. corresponds to 20% of the target remuneration for the entire LTIP of TEUR 250 p.a.

Based on the defined targets, the remuneration is calculated individually for each target on a straight-line basis. For example, if the target of reducing CO<sub>2</sub> emissions within the German portfolio is exceeded by 20%, the remuneration for this target amounts to TEUR 20 x 120% = TEUR 24.

If one of the targets described is not met by more than 10%, no remuneration is paid for this target. The maximum remuneration applies if a target is exceeded by more than 50%.

These non-financial targets ("ESG targets") were selected by the Supervisory Board because they play an important role in connection with TAG's strategic sustainability goals. The decarbonisation of the German portfolio, TAG's predominant real estate asset, is one of the most important environmental ("E") challenges. High tenant satisfaction and continuous neighbourhood involvement through social projects in the regions managed by TAG are key building blocks in the Social ("S") area. The area of governance ("G") is already covered in the STIP by the non-financial objective implemented there.

In the 2023 financial year, the aforementioned non-financial targets were not yet relevant for the LTIP. Even though the corresponding LTIP tranche has already begun, potential remuneration will only arise after the first LTIP tranche 2023–2026 has been completed, i.e. at the beginning of the 2027 financial year.

#### Target achievement for 2023

For the 2023 financial year, in which the 2020–2023 LTIP tranche ended, no remuneration arose from the LTIP, as the TSR of the TAG share, which was the only relevant factor for this tranche, was negative in the relevant four-year period from 2020 to 2023. Premiums or discounts due to the relative TSR performance were no longer applied due to the negative absolute TSR.



### Remuneration of the Management Board in the reporting year

The **remuneration earned** by the members of the Management Board in the past financial year **totalled TEUR 952** (previous year: TEUR 912).

The **remuneration received** by the members of the Management Board in the past financial year (remuneration earned) also **totalled TEUR 952** (previous year: TEUR 1,978). This remuneration included, among other things, the STIP remuneration of TEUR 200 per Management Board member received in 2022 for the 2021 financial year and the remuneration of TEUR 358 per Management Board member for the 2019–2021 LTIP tranche allocated in 2022 (for which a three-year performance period was decisive for the last time).

in TEUR	Claudia Hoyer COO, Co-CEO				Martin Thiel CFO, Co-CEO			
	2022 (Act.)	2023 (Act.)	2023 (Min.)	2023 (Max.)	2022 (Act.)	2023 (Act.)	2023 (Min.)	2023 (Max.)
<b>Granted</b>								
Fixed remuneration	420	440	440	440	420	440	440	440
Ancillary benefits	15	15	15	20	7	7	7	20
<b>Total</b>	<b>435</b>	<b>455</b>	<b>455</b>	<b>460</b>	<b>427</b>	<b>447</b>	<b>447</b>	<b>460</b>
One-year variable remuneration (STIP)	25	25	0	200	25	25	0	200
Multi-year variable remuneration (LTIP)	0	0	0	500	0	0	0	500
<b>Total</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>700</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>700</b>
Utility expenses	0	0	0	0	0	0	0	0
<b>Total remuneration</b>	<b>460</b>	<b>480</b>	<b>455</b>	<b>1,160</b>	<b>452</b>	<b>472</b>	<b>447</b>	<b>1,160</b>
<b>Share of fixed remuneration</b>	<b>95%</b>	<b>95%</b>	<b>100%</b>	<b>40%</b>	<b>94%</b>	<b>95%</b>	<b>100%</b>	<b>40%</b>
<b>Share of variable remuneration</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>60%</b>	<b>6%</b>	<b>5%</b>	<b>0%</b>	<b>60%</b>
<b>Inflow</b>								
Fixed remuneration	420	440	440	440	420	440	440	440
Ancillary benefits	15	15	15	15	7	7	7	7
<b>Total</b>	<b>435</b>	<b>455</b>	<b>455</b>	<b>455</b>	<b>427</b>	<b>447</b>	<b>447</b>	<b>447</b>
One-year variable remuneration (STIP)	200	25	0	25	200	25	0	25
Multi-year variable remuneration	358	0	0	0	358	0	0	0
<b>Total</b>	<b>558</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b>558</b>	<b>25</b>	<b>0</b>	<b>25</b>
Utility expenses	0	0	0	0	0	0	0	0
<b>Total remuneration</b>	<b>993</b>	<b>480</b>	<b>455</b>	<b>480</b>	<b>985</b>	<b>472</b>	<b>447</b>	<b>472</b>
<b>Number of shares</b>	<b>6,673</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,673</b>	<b>0</b>	<b>0</b>	<b>0</b>

The remuneration earned under the STIP in the 2022 and 2023 financial years relates exclusively to the achievement of the non-financial target.

In addition, no LTIP remuneration was earned in the 2022 and 2023 financial years, as the absolute TSR performance for the corresponding four-year period (2019–2022 and 2020–2023) was negative at the end of both years. An amount of TEUR 0 (Previous year: TEUR 236) per Management Board member was recognised in the consolidated income statement for the fair value of potential remuneration from the LTIP, which is determined at the beginning of each financial year and then no longer adjusted to the actual value at the end of the year.

### Maximum remuneration

The maximum annual remuneration per member of the Management Board, based on the amounts paid out in a financial year, is therefore calculated as follows:

in TEUR	2024	2023	2022
Gross fixed salary p.a.	480	440	420
Benefits	20	20	20
STIP	200	200	200
LTIP	500	500	400
<b>Total</b>	<b>1,200</b>	<b>1,160</b>	<b>1,040</b>

### Other remuneration

#### Fringe benefits

One member of the Management Board uses a company car, which is taxed accordingly as a non-cash benefit. In addition, the members of the Management Board receive further benefits as other remuneration, some of which are categorised as benefits in kind and taxed accordingly. These include, in particular, allowances for private health and pension insurance, accident and liability insurance, the private use of communication devices and expense allowances for business trips.

#### Pensions

The contracts with the members of the Management Board do not provide for any pension entitlements. One member of the Management Board still has pension entitlements from a period before taking up his position at TAG. Although these are vested, they do not give rise to any new claims since then.

Management Board members are not entitled to any further bonuses or additional remuneration if they simultaneously hold positions on the Management or Supervisory Boards of other Group companies. All sideline activities are subject to authorisation.

### Entitlements upon termination of the employment relationship

In the event of ordinary termination of a Management Board member's service contract, the member is entitled to payment of the unpaid portion of the variable remuneration or the unallocated (available) TAG shares from variable remuneration from previous years.

In the event of a change of control, e.g. due to the acquisition of a majority of voting rights in TAG by a third party, the members of the Management Board have the right to terminate their employment contract with three months' notice to the end of the month (special right of termination). If this special right of termination is exercised, the Company undertakes to pay a gross settlement amount equal to the annual gross salary at the time of termination, provided that

the employment contract still has a remaining term of at least 24 months at the time of termination. If the remaining term at the time of termination of the Management Board contract is shorter, the Management Board member receives a gross severance payment in the amount of the gross salary for the remaining term.

In the event of premature termination of the Management Board contract for other reasons, the contracts contain the provision that the severance payment to be paid is limited to a value of two gross annual salaries and should not exceed the amount for the remaining term of the contract.

### **Comparative presentation in accordance with Section 162 (1) sentence 2 no. 2 AktG**

For the comparative presentation, all operating and central divisions of TAG Immobilien AG were included in the calculation of average employee remuneration. All active employees (excluding trainees) were taken into account as the basis for the average FTEs (Full Time Equivalents). Craftsmen and caretakers are employed exclusively in the service companies and are therefore not included in the comparative presentation of TAG Immobilien AG's earnings performance.

The amounts received in the financial year were used to calculate the remuneration of the members of the Management Board. NAV per share and EBT per share were last calculated for the 2020 financial year.

	2023	2022	2021	2020	2019
<b>Earnings performance</b>					
Net income TAG AG in TEUR	80,461	-525	104,597	34,910	66,375
<i>relative change p.a.</i>	>1000%	-100.50%	199.62%	-47.40%	143.34%
<i>FFO I per share: relative change p.a.:</i>	-17.95%	-3.87%	5.08%	7.27%	10.00%
<i>NAV per share: relative change p.a.:</i>	0.00%	0.00%	0.00%	8.61%	18.07%
<i>NTA per share: relative change p.a.:</i>	-11.73%	-19.57%	17.49%	8.56%	16.54%
<i>EBT per share: relative change p.a.:</i>	0.00%	0.00%	0.00%	24.32%	13.27%
<b>Average employee remuneration</b>					
<i>relative change p.a.</i>	6.67%	6.41%	2.38%	1.59%	1.20%
<b>Management Board remuneration</b>					
<i>Claudia Hoyer relative change p.a.:</i>	-51.66%	-40.25%	119.26%	9.38%	-3.88%
<i>Martin Thiel relative change p.a.:</i>	-52.08%	-40.45%	120.53%	9.49%	-1.15%

## **Further regulations**

### **Shareholding obligation and possible dilution of shareholders**

Each member of the Management Board is obliged to hold TAG shares with a market value of at least one fixed annual salary (factor: 1.0 times the fixed annual salary) for the duration of their employment contract.

The TAG shares earned under the LTIP are fulfilled by the delivery of own TAG shares previously acquired on the market. In this respect, there is no risk of dilution for shareholders from the Management Board remuneration.

### **Receivables from and liabilities to members of the Management Board and Supervisory Board**

As in the previous year, there were no receivables from or liabilities to members of the Management Board and Supervisory Board or their related parties as at the reporting date. No loans were granted to or taken out by these bodies during the year either.

### **Clawback of variable remuneration in the event of negative performance ("clawback" and "malus")**

In the event of objectively ascertainable, serious, grossly negligent or wilful violations of laws or internal compliance regulations in a financial year for which individual members of the Management Board or the Management Board as a whole are responsible, they must repay or reimburse all or part of the variable remuneration for the year in which the violations were committed.

If errors are subsequently identified in the IFRS consolidated financial statements of TAG approved by the Supervisory Board which formed the basis for the measurement of the variable remuneration or which affected the underlying key figures, the obligation to repay or retransfer the variable remuneration in full or in part also applies to the year or years in which the consolidated financial statements were prepared incorrectly. In these cases, the Management Board members are not at fault.

The repayment obligation also exists if the employment relationship with the Management Board has already ended at the time the repayment claim is asserted. Claims after termination of the employment relationship expire 14 months after leaving the Management Board.