

## **Report by the Management Board to the annual general meeting on item 10 of the agenda in accordance with Sections 71 (1), No. 8 Sentence 5 and 186 (3) Sentence 4 of the German Stock Corporation Act**

Item 10 of the agenda of the annual general meeting includes the proposal that the Company be authorised until 10 May 2023 in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act to buy treasury stock in an amount of up to 10% of the share capital existing upon the authorisation taking effect - or if it is less - upon the authorisation being exercised. The existing authorisation for the acquisition of treasury stock granted by the shareholders at the annual general meeting on 17 June 2016, is simultaneously to be cancelled.

Under the proposed authorisation, treasury stock may be acquired either via the stock market or in the form of a public offer made to all shareholders. In the event of a public offer to acquire treasury stock, the Company will submit to all shareholders an offer commensurate with the size of their share. The volume of the public offer may be limited. If the total subscription of the offer exceeds this volume, the declarations of acceptance will be honoured on the basis of the ratio of the number of shares tendered; accordingly, any offering rights on the part of the shareholders will be excluded (tendering quotas). Similarly, provision may be made for preferential allowance of small offers of up to 100 of the Company's shares per shareholder in order to avoid fractional amounts, thus resulting in the partial exclusion of the shareholders' rights to offer their shares. This simplifies the technical process for executing the offer. The preferential treatment of small volumes additionally helps to avoid small residual holdings. Accordingly, the Management Board considers the exclusion of shareholders' tendering rights to be objectively justified and equitable. Moreover, the Management Board may at its own discretion fix a price range within which shareholders may submit offers under a public request for bids. This will be the case, for example, in the event of a "modified Dutch auction" under which shareholders submit offers to sell their shares to the Company within a specific price range. In this case, provision may be made for the final price to be determined on the basis of the amount and number of offers depending on the defined total at which most of the shares can be bought back or the lowest price at which a certain number of shares can be bought back. In the event of such an offer to acquire treasury stock based on a price range, the bids submitted by shareholders requesting an overly high prices may be ignored. In this connection, any rights which the shareholders may have to offer their shares for sale to the Company shall be excluded.

The Management Board is to be authorised to utilise the Company's treasury stock for all purposes permitted by law. In particular, it may sell it via the stock market or in an offer to all shareholders. In addition, it may particularly use it for the following purposes subject to the Supervisory Board's approval, in which case the shareholders' pre-emptive subscription rights will be excluded:

The treasury stock is to be sold on a cash basis at a price which is not materially less than the market price at which the Company's shares of the same class are trading on the date of sale in accordance with Sections 71 (1) No. 8 Sentence 5 and 186 (3) Sentence 4 of the German Stock Corporation Act. In this case, the portion of the

share capital attributable to the shares for which the shareholders' pre-emptive subscription rights are excluded may not exceed a total of 10 percent of the share capital even in the event of more than one sales transactions either on the date on which the authorisation first takes effect or on the date on which it is exercised. This maximum shall also include the prorated amount of the share capital attributable to shares issued during the term of this authorisation in direct or analogous application of Section 186 (3) Sentence 4 of the German Stock Corporation Act subject to the exclusion of the shareholders' pre-emptive subscription rights. The maximum of 10 percent of the share capital shall additionally include the prorated amount of the share capital required for the settlement of any obligations under bonds which are issued subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation.

This authorisation is to make use of the simplified exclusion of shareholders' pre-emptive subscription rights in accordance with Sections 71 (1), No. 8, Sentence 5 and 186 (3) Sentence 4 of the German Stock Corporation Act. In this way, the Management Board will be able to make optimum use of the opportunities arising from the prevailing market conditions quickly, flexibly and inexpensively. The proceeds from the sale which can be achieved by fixing a market-oriented price generally result in a substantially higher inflow per share sold than if the shares are placed with subscription rights. As it is able to dispense with the time-consuming and costly handling of subscription rights, the Company can make use of short-term opportunities for covering its equity requirements. Although Section 186 (2) Sentence 2 of the German Stock Corporation Act states that the subscription price does not have to be disclosed until the third last day of the subscription period, this results in a market risk over a period of several days due to the volatility of the equities markets, leading to a possible discount on the selling price and less favourable conditions for the Company.

When this authorisation is utilised, the shareholders' financial interests are protected in that the Company is obliged to sell the shares at a price which is not materially less than the price at which the Company's shares are trading in the stock market. The price at which the Company's treasury stock is sold is conclusively determined shortly before it is sold. In this connection, the Management Board will endeavour to minimise any discount on the stock market price in the light of the prevailing market conditions. In accordance with the statutory requirements, the shareholders' financial interests and voting interests are protected as the total number of shares which may be issued during the term of the proposed authorisation including existing authorisation in direct, analogous or corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act subject to the exclusion of the shareholders' pre-emptive subscription rights (e.g. through the utilisation of authorised capital) may not exceed 10 percent of the Company's share capital. The limit of 10 percent of the Company's share capital additionally includes the prorated amount of the share capital required for the settlement of any obligations under bonds which are issued subject to the exclusion of the shareholders' pre-emptive subscription rights in accordance with Sections 221 (4) Sentence 2 and 186 (3) Sentence 4 of the German Stock Corporation Act during the term of this authorisation. This minimises the dilution effect sustained by the shareholders whose subscription rights are excluded. Given the limited extent of possible dilution effects, the shareholders whose pre-emptive subscription rights are excluded can fundamentally restore their share quotas by buying additional shares in the stock markets and thus under normal market conditions.

The shares are to be used to settle option and/or conversion rights or corresponding obligations under option and/or convertible bonds which have been or will be issued by the Company or a Group member. The shares used to settle option and conversion rights or corresponding obligations under option or convertible bonds are normally taken from the Company's contingent capital. However, in individual cases, it may be appropriate and in Company's interests for the aforementioned rights and obligations to be settled partially or in full by using existing treasury stock rather than issuing new shares from contingent capital.

In the event of an offer directed at all shareholders or the issue of fresh equity subject to the shareholders' pre-emptive subscription rights, the shares are to be granted to the holders of option or convertible bonds issued by the Company or a group member to the extent that these holders have a right to subscribe to shares in the Company after the exercise of the option or conversion rights or the settlement of the corresponding obligations. Option and convertible bonds regularly have dilution protection which, in the event of an offer directed at all shareholders for the purchase of treasury stock or in the event of issues of fresh equity, place the holders of such bonds in the position which they would have if they were already shareholders of the Company and therefore already had subscription rights which may be sold in connection with the purchase offer or exercised in connection with the equity issue. In the absence of such dilution protection, the bonds can only be placed on less favourable terms or the holders must be granted some other form of compensation in the event of an offer directed at all shareholders or the issue of new equity, e.g. in the form of a discount on the option or conversion price (despite the fact that this would not be desirable for the Company in terms of its capital-raising efforts). The possibility of granting the bond holders shares from the Company's treasury stock in such cases allows the Company to achieve the desired level of protection against dilution effects without having to issue new shares, e.g. from its contingent capital.

It is to be possible for the shares to be sold in connection with business combinations or, in suitable individual cases, the acquisition of real estate, real estate portfolios, companies, parts of companies, equity interests in other entities or other assets (including receivables against the Company). The purpose is to allow the Management Board to acquire from third parties real estate, real estate portfolios, companies, parts of companies, equity interests in other entities or other assets (including receivables against the Company) by using the Company's treasury stock as valuable consideration while preserving its liquidity. This substantially heightens the Management Board's scope in competition with third parties as the opportunities for acquisitions generally arise only at short notice. For this reason, it is not normally viable for the Company to sell its treasury stock to shareholders in order to generate the necessary cash; what is more, this may have an adverse effect on the price of the Company's stock. What is more, sellers of assets particularly real estate, real estate portfolios, companies and equity interests are increasingly expecting consideration to be rendered in the form of shares in the buying party's company. The use of treasury stock - either in lieu of or in combination with the issue of new equity from contingent capital - is a flexible instrument for this purpose. However, this is possible only if shareholders' pre-emptive subscription rights are excluded. In determining the valuation ratios, the Executive Board will ensure that the shareholders' interests are duly taken into account. For the purposes of measuring the value of the shares granted as consideration, the Management Board will take as a guide the listed price of the Company's shares. However, no inherent link with a listed share price at any given time is planned particularly so as to avoid any risk to the outcome of negotiations from any fluctuation in such price.

In addition, the Supervisory Board is to be authorised to allocate and award the shares to the members of the Management Board of the Company as part of their variable remuneration components under the long term incentive plan (“LTIP”). Under the statutory requirements, the variable remuneration paid to the Management Board must be oriented to sustainable and multi-year business growth. In the interests of sustained business growth and to ensure that the activities of the Management Board are aligned with the interests of the shareholders, the Company’s Supervisory Board passed a resolution at its meeting of 22 March 2016 providing for part of the variable remuneration tied to the Company’s business performance which is payable to the Management Board to be granted in the form of TAG shares. Under following remuneration system dated 17 December 2017, the LTIP remuneration components were granted solely in the form of shares. This is now also part of the remuneration system that will be submitted to the shareholders for approval under item 7 of the agenda (see Section III Point C No 1). The members of the Management Board may not sell the shares awarded to them under the LTIP for a period of 4 years. On the basis of the authorisation granted by the shareholders at the annual general meeting to acquire treasury shares, the Company is to be able to acquire the TAG shares to be awarded or offered to the members of the Management Board and TAG employees under an employee participation programme. By freezing the award of shares for a period of several years, a penalty effect can be achieved alongside a bonus effect in the event of any adverse developments in the Company’s business performance. The use of the Company’s treasury stock as a component of the variable remuneration payable to the Management Board is in the Company’s interests. This tool creates greater economic responsibility on the part of the members of the Management Board for the interests of the Company and the shareholders. Moreover, as the shares are transferred in lieu of cash-based variable remuneration, the Company’s liquidity is not unduly strained. Given the limited number of shares used for this purpose, exclusion of the shareholders’ pre-emptive subscription rights does not have any material adverse effect on them.

After all, the Management Board is to be additionally authorised in accordance with Section 237 (3) No. 3 of the German Stock Corporation Act to cancel the treasury stock acquired without any further resolution of the shareholders. This does not involve the exclusion of the shareholders’ pre-emptive subscriptions rights.

In the event of the Company’s treasury stock being sold via an offer directed at all shareholders, the Management Board will be additionally authorised to exclude the shareholders’ pre-emptive subscription rights for fractional amounts. The purpose of the possibility for excluding the shareholders’ pre-emptive subscription rights for fractional amounts is to improve the technical efficiency of the transaction. The fractional amounts of shares for which the shareholders’ pre-emptive subscription rights are excluded will be eliminated as efficiently as possible for the Company by selling them on the stock market or in some other manner. As the exclusion applies only to fractional amounts, the dilution effects are minimal for the shareholders.

After considering all relevant factors - including the dilution effects arising to the detriment of the shareholders - the Management Board considers the exclusion of the shareholders’ pre-emptive subscription rights in the aforementioned cases to be objectively justified and equitable for the shareholders. The Management Board will in any case consider the individual circumstances carefully before deciding whether to make use of this authorisation. It may only make use of these possibilities if it takes the view that this is in the best interests of the Company and, therefore, of its shareholders and is reasonable and appropriate.

The Management Board will notify the shareholders at the next annual general meeting whenever it makes use of such authorisation.

Hamburg, March 2021

TAG Immobilien AG

Management Board

Claudia Meyer

M. Stiel

J. Lent