

Remuneration report for 2021 (on item 6 of the agenda)

REPORT ON THE COMPANY'S REMUNERATION SYSTEM IN ACCORDANCE WITH SECTION 162 OF THE GERMAN STOCK CORPORATION ACT (REMUNERATION REPORT)

Definition of "granted and owed" within the meaning of Section 162 (1) of the German Stock Corporation Act

For the following remuneration report, benefits granted are defined as having been received in the financial year. In addition, the remuneration earned by the members of the Management Board in the respective financial year is presented on a voluntary basis.

Remuneration scheme for the Supervisory Board

For each full financial year of their membership on the Supervisory Board, members of the Supervisory Board receive fixed compensation in the amount of TEUR 20. The Company takes out directors' and officers' liability insurance (D&O insurance) for the members of the Supervisory Board and pays the premiums. The Chairman's Deputy receives 1.5 times this fixed fee (TEUR 30), while the Chairman of the Supervisory Board receives a fixed fee in the amount of TEUR 175 for each financial year.

In addition, members of the Audit Committee receive separate compensation. The Chair receives TEUR 75, and each member, except the Chair of the Supervisory Board, receives TEUR 5. The members of the Personnel Committee receive an attendance fee of EUR 500.00 per meeting, unless the fee is waived as in the past.

No variable remuneration based on the Company's success or other criteria is granted.

The remuneration paid to the Supervisory Board in the year under review came to TEUR 365 (previous year TEUR 354), plus expenses and VAT. The remuneration of the Supervisory Board is distributed as follows:

Supervisory Board Member	2021 in TEUR	2020 in TEUR
Benefits granted / payment		
Rolf Elgeti	175	175
Lothar Lanz	105	105
Dr. Philipp K. Wagner	20	20
Prof. Dr. rer. pol. Kristin Wellner	25	22
Harald Kintzel (until May 22, 2020 / from 21 August 2020)	20	17
Katja Gehrmann (from 21 August 2020 until 21 December 2021)	20	7
Fatma Demirbaga-Zobel (from 21 December 2021)	0	0
Marco Schellenberg (until 22 May 2020)	0	8
Total	365	354

Contribution of remuneration to the promotion of the business strategy and long-term development

In accordance with the suggestions in Germany's Corporate Governance Code, the remuneration of the Supervisory Board members is exclusively comprised of fixed remuneration components plus any attendance fees, reimbursement of expenses and insurance cover, but not variable remuneration components. The fixed remuneration strengthens the independence of the Supervisory Board members and thus makes an indirect contribution to the Company's long-term development.

Remuneration scheme for the Management Board

Basic remuneration system

The members of the TAG Management Board receive a basic remuneration that is not contingent on performance, as well as a variable remuneration, which is paid out partly in cash and partly in the form of TAG shares.

The non-performance-based remuneration takes the form of a fixed annual salary paid out in twelve equal monthly instalments. Some members of the Management Board use a company car, which is taxed accordingly as a non-cash benefit. The members of the Management Board also receive further benefits as other remuneration, some of which are classified as non-cash benefits and are taxed accordingly. In particular, these include a Bahn-Card (for discounted rail travel), accident and liability insurance, private use of communications devices and compensation for expenses incurred during business travel.

The contracts with the members of the Management Board do not provide for any pension entitlements. Some Management Board members still have pension entitlements from a time before they began to work for the TAG Group. While these are non-forfeitable, they do not entail any new claims since then.

Members of the Management Board are not entitled to claim any further bonuses or additional remuneration if they simultaneously serve on the Management Board or Supervisory Board of other companies in the Group. Variable remuneration is determined solely at TAG Immobilien AG level and charged to TAG Immobilien AG. All ancillary activities are subject to approval.

Upon the ordinary termination of office of any member of the Management Board, such member is entitled to payment of any part of the variable remuneration not yet paid out to them, or to any share-based compensation not yet allocated to them. In the event of any change of control, e.g. through the merger with or the acquisition of the majority of voting rights by third parties, the members of the Management Board are entitled to terminate their service contract subject to advance notice of three or six months (special right of termination). If this special right of termination is exercised, the Company undertakes to pay a gross settlement amount on the date of departure that is equal to the annual gross salary, provided that the service contract still has a remaining period of at least 24 months as of the date of termination. If the remaining term is shorter at the time of termination of the Management Board contract, the Management Board contracts contain provisions that provide either as a gross compensation the amount that is the gross salary for the remainder of the remaining term, or a gross settlement that is reduced pro rata temporis over the last 24 months based on a full gross annual salary.

In the event of a premature termination of Management Board contracts for other reasons, the contracts contain the provision that the compensation payable to them is to be capped at a value equalling two gross annual salaries and shall not exceed the amount due for the remaining period of the contract.

Details of the variable remuneration ('Old regulation')

The variable remuneration scheme in force since the 2018 financial year and for the 2020 financial year as well differentiates between the

- Short Term Incentive Plan (STIP), which is based on the development of financial KPIs and is intended as an immediately payable cash compensation, and the
- Long Term Incentive Plan (LTIP), which is assessed on total shareholder return (TSR, as the sum of the share price increase plus dividends paid in the given financial year) in a three-year period and is paid in TAG shares.

The STIP is determined on the basis of the following criteria:

- Increase in EPRA NAV per share in the financial year (after elimination of the dividend paid in the financial year); each EUR 0.01 increase in the NAV per share is multiplied by EUR 750.00)
- Increase in FFO I per share in the financial year (each EUR 0.01 increase in the FFO I per share is multiplied by EUR 7,500.00)
- Increase in EBT per share in the financial year, not taking into account the results from the revaluation of the investment properties and from the revaluation of derivative financial instruments (each EUR 0.01 increase in the EBT per share is multiplied by EUR 3,000.00)

The STIP cash remuneration is paid out in full following the Supervisory Board's resolution on the variable remuneration of the financial year in question, and is capped at TEUR 125 p.a. This is also the target figure for the STIP, which corresponds to an average increase of around 5.3% and 4.6% in the above criteria for determining the variable remuneration according to the STIP in a year-on-year comparison between 2018 and 2019 or 2019 and 2020, respectively.

The multi-year variable compensation (LTIP), on the other hand, is granted in TAG shares, the number of which is assessed based on the TSR over a three-year period. The TSR performance is assessed on the one hand based on the performance of the TAG share in a three-year period that begins anew each year, and on the other hand relative to the performance of a selected group of competitors (peer group) during this period.

The basis for calculating the share price performance is the volume-weighted average price (VWAP) of the TAG share over a period of two months prior to the reporting date of the financial year at the beginning and the end of a three-year period. The target TSR for the three-year performance period was set at 30% and results in the following remuneration scheme:

- If the actual TSR corresponds to the target TSR, the LTIP share bonus amounts to TEUR 150 p.a.
- If the actual TSR is above or below the target TSR, the amount is calculated or adjusted linearly in accordance with the target TSR (an actual TSR of 20%, for example, results in an LTIP share bonus of $20/30 \times \text{TEUR } 150 = \text{TEUR } 100$).
- If the actual TSR is negative, the LTIP share compensation is TEUR 0.

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or 2% worse, this is taken into account by making allowances or deductions. If the actual TSR is better than the performance of the peer group, a supplement of 25% is applied, and in the case of a poorer performance a deduction of 25% is applied. The peer group is made up of listed

real estate companies that, as portfolio holders, have substantial residential real estate in Germany. As in the two previous years, the group comprised in the 2020 financial year the following companies: Vonovia SE, Deutsche Wohnen SE, LEG Immobilien AG, Grand City Properties S.A., as well as Adler Group S.A. (formerly ADO Properties S.A.) and Adler Real Estate AG. The companies are given equal weighting.

The variable share-based remuneration in the form of the LTIP is capped at TEUR 300 p.a. The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on variable remuneration at the end of the respective three-year period. The basis for calculating the number of TAG shares to be transferred is the VWAP of the TAG share over a period of two months prior to the end of the respective financial year.

Details of the variable remuneration ('New regulation')

Pursuant to Section 87 (1) of the German Stock Corporation Act (AktG), the total remuneration of a member of the Management Board must be commensurate with the duties and performance of the Management Board member as well as the situation of the Company, and may not exceed the usual remuneration without special reasons. The remuneration structure shall be aligned not only with sustainable corporate development, but also with the Company's long-term development in accordance with the Act Implementing the Second Shareholders Rights Directive (ARUG II), which came into force on 1 January 2020. Variable components of the remuneration are assessed across several years; a possibility of limitation shall be agreed for extraordinary developments.

In addition to the ARUG II, a new version of the German Corporate Governance Code ('DCGK' in the following) was announced with effect from 20 March 2020, which contains specific recommendations for determining variable Management Board remuneration. Against this background, the Personnel Committee of the Supervisory Board of TAG first dealt with an update and adjustment of the regulation on determining variable Management Board remuneration (also referred to as 'old regulation' in the following) that has been in place since 11 December 2017 and was approved by the Annual General Meeting of the Company in 2018, and then adopted the following regulations – in agreement with the members of the Management Board – with effect from 1 January 2021. Their approval by the Annual General Meeting took place on 11 May 2021.

The variable remuneration system applicable since 2021 comprises

- the short-term incentive plan (STIP), which is based on changes in the financial performance indicators and the achievement of non-financial targets and provides for immediate cash payment, and

- the long-term incentive plan (LTIP), which is based on total shareholder return (TSR, i.e. the sum total of increases in the share price plus dividends paid in the applicable year) over a three-year or four-year period and is remunerated in the form of TAG shares.

The STIP is determined on the basis of the following criteria:

- Development of the EPRA NTA per share in the financial year (after elimination of the dividend paid in the financial year; each increase in the NTA per share by EUR 0.01 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)
- Achievement of non-financial targets, the achievement of which is defined as between 'negligible' and 'high' based on the risk assessment by an external ESG rating agency. Remuneration for the achievement of non-financial targets ranges from EUR 25,000 ('negligible') to no remuneration ('high').
- Achievement of individual targets agreed between the Chairman of the Supervisory Board and the member of the Management Board, which are to be based on the respective activities of TAG and its business strategy, including sustainable corporate development. Depending on the degree of target achievement, the variable remuneration can be increased by up to 10%, remain unchanged, or be reduced by up to 10% based on the above criteria.

The STIP cash remuneration is paid out in full following the Supervisory Board's resolution on the variable remuneration of the financial year in question, and is capped at TEUR 200 p.a. The target amount for the STIP is EUR 150,000 p.a.

In contrast, the variable remuneration (LTIP), which is to be assessed over several years, is granted in TAG shares, the number of which is measured by the TSR in a three-year period (first-time performance period) or a four-year period (subsequent performance periods). For this purpose, TSR performance is measured by reference to the performance of TAG shares in a three-year or four-year period that starts each year as well as by reference to the performance of a selected peer group during the same period.

The basis for calculating the share price performance is the volume-weighted average price (VWAP) of TAG shares over a period of two months prior to the end of year at the beginning and at the end of the performance period. The target TSR was set at 30% for the three-year performance period and 40% for the four-year performance period, and leads to the following remuneration:

- If the actual TSR corresponds to the target TSR, the LTIP share compensation 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 (for example, an actual TSR of 20% in a four-year performance period results in an LTIP share compensation of $20/40 \times \text{TEUR } 250 = \text{TEUR } 125$).
- If the actual TSR is negative, the LTIP share compensation is TEUR 0.

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or 2% worse, this is taken into account by making allowances or deductions. If the actual TSR is better than the performance of the peer group, a supplement of 25% is applied, and in the case of a poorer performance a deduction of 25% is applied. The peer group for the 2020 financial year is made up of listed real estate companies that, as portfolio holders, have substantial residential real estate in Germany. Currently, the peer group comprises the following companies: Vonovia SE, Deutsche Wohnen SE, LEG Immobilien AG, Grand City Properties S.A., and Adler Group S.A. The companies are given equal weighting.

The variable share compensation in the form of the LTIP is capped at TEUR 400 p.a. for the three-year performance period and at TEUR 500 p.a. for the following four-year performance periods. The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on variable remuneration at the end of the respective three-year period. The basis of assessment for the number of TAG shares to be transferred is the VWAP of the TAG share over a period of two months prior to the end of the respective financial year.

Remuneration paid to the Management Board in the financial year under review

Remuneration accruing to the Management Board in the year under review came to TEUR 2,538 (previous year: TEUR 1,844).

The amounts paid to the members of the Management Board in the year under review, some of which include remuneration earned in earlier years as well, amount to TEUR 4,974 (previous year: TEUR 2,264) and include the value of shares allocated as part of the payment of long-term remuneration components, in 2021 in particular the LTIP 2018–2020, in the amount of TEUR 3,306 (previous year: TEUR 594).

The total cost of share-based compensation recognised in the income statement in the financial year corresponds in each case to the multi-year variable compensation granted, as shown in the table below. The remuneration is distributed as follows among the individual members of the Management Board:

in TEUR	Claudia Hoyer COO				Martin Thiel CFO				Dr. Harboe Vaagt CLO			
	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (Max.)	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (Max.)	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (Max.)
Granted												
Fixed remuneration	420	420	420	420	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7	13	11	11	11
Total	435	435	435	435	427	427	427	427	433	431	431	431
One-year variable remuneration	125	200	0	200	125	200	0	200	125	200	0	200
Multi-year variable remuneration	58	215	0	400	58	215	0	400	58	215	0	400
Total	183	415	0	600	183	415	0	600	183	415	0	600
Benefit expense	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	618	850	435	1,035	610	842	427	1,027	616	846	431	1,031
Share of fixed remuneration	70%	51%	100%	42%	70%	51%	100%	42%	70%	51%	100%	42%
Share of variable remuneration	30%	49%	0%	58%	30%	49%	0%	58%	30%	49%	0%	58%
Inflow												
Fixed remuneration	420	420	420	420	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7	13	11	11	11
Total	435	435	435	435	427	427	427	427	433	431	431	431
One-year variable remuneration	125	125	0	125	125	125	0	125	125	125	0	125
Multi-year variable remuneration (2017-2020) (previous year: 2016)	198	1,102	0	1,150	198	1,102	0	1,150	198	1,102	0	1,150
Total	323	1,227	0	1,275	323	1,227	0	1,275	323	1,227	0	1,275
Benefit expense	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	758	1,662	435	1,710	750	1,654	427	1,702	756	1,658	431	1,706
Number of shares	10,61	24,00			10,61	24,00			10,61	24,00		
	7	0	0	0	7	0	0	0	7	0	0	0

Remarks on the application of the performance criteria in the 2021 financial year

For the presentation of the performance criteria of the variable remuneration components awarded in the 2021 financial year, the KPIs of the 2020 financial year apply for the STIP. For the LTIP, the reference elements are presented separately.

STIP

To achieve the performance criteria, a NAV per share for the 2020 financial year of EUR 21.40 (ACTUAL: EUR 22.18 per share), FFO I per share for the 2020 financial year of EUR 1.15 (ACTUAL: EUR 1.18 per share) and EBT per share for the 2020 financial year of EUR 1.16 (ACTUAL: EUR 1.38 per share) were required. For the STIP, the cap of EUR 125,000 per Management Board member was applied.

LTIP

In 2021, the claims from the Management Board remuneration for 2017 and 2018 were duly settled. For the transfer of shares from 2017, the vesting period of three years expired in the 2021 financial year. The entitlement from 2018 is based on the performance period 2018-2020, in which an ACTUAL TSR of 75.9% and thus the maximum remuneration (cap) was achieved. The cap was also applied to the Management Board remuneration entitlements for 2019 and 2020, which were redeemed early and whose performance period had not yet been completed.

The relevant remuneration system was thus complied with in the 2021 financial year. No variable remuneration components were recalled.

Comparative presentation pursuant to Section 162 (1) Sentence 2 No. 2 AktG

For the comparative presentation, all operational and central divisions of TAG Immobilien AG were included for / in calculating the average employee remuneration. All active employees were taken into account as the basis for the average FTEs (Full Time Equivalents) (without trainees). Tradesmen and caretakers are employed exclusively in the service companies.

For the development of Management Board remuneration, the amounts received in the financial year were stated.

The NAV per share and the EBT per share were last calculated for the last time for the 2020 financial year. The NAV per share was replaced by the KPI NTA per share in financial year 2020.

	2017	2018	2019	2020	2021
Results of operations					
Net income TAG AG in TEUR	76,295	27,277	66,375	34,910	104,597
<i>Relative change p.a.</i>	-	-64.25%	143.34%	-47.40%	199.62%
<i>FFO I per share: relative change p.a.:</i>	-	14.94%	10.00%	7.27%	5.08%
<i>NAV per share: relative change p.a.:</i>	-	25.51%	18.07%	8.61%	-
<i>NTA per share: relative change p.a.:</i>	-	0.00%	16.54%	8.56%	17.49%
<i>EBT per share: relative change p.a.:</i>	-	36.11%	13.27%	24.32%	-
Average employee remuneration					
<i>Relative change p.a.</i>	-	1.43%	1.20%	1.59%	2.38%
Management Board remuneration					
<i>Claudia Hoyer relative change p.a.:</i>	-	14.99%	-3.88%	9.38%	119.26%
<i>Martin Thiel relative change p.a.:</i>	-	23.75%	-1.15%	9.49%	120.53%
<i>Harboe Vaagt relative change p.a.:</i>	-	14.51%	-3.62%	9.25%	119.31%

Contribution of remuneration to furthering the Company's business strategy and long-term development

The variable remuneration components are intended to provide incentives for the sustainable and long-term development of TAG and the creation of sustainable corporate values along the value chain, to further harmonise the interests of the shareholders with those of the Management Board, and to contribute to the long-term commitment of the Management Board members

The long-term portions of the variable Management Board remuneration should exceed the short-term portions and reflect the Company's development 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 goals is taken into account when determining the variable remuneration.

Maximum remuneration

The current gross annual fixed salary for all Management Board members is TEUR 420 p.a. Fringe benefits, such as the provision of a company car, amount to a maximum of TEUR 20 p.a. per Management Board member.

In the STIP, the target remuneration per Management Board member is TEUR 150 and the maximum remuneration (cap) is TEUR 200.

In the LTIP, the target remuneration per Management Board member is TEUR 250. In the course of the transition from the old regulation to this new regulation, a three-year performance period with a cap of TEUR 400 per Management Board member was defined for the period from 1 January 2019 to 31 December

2021, which will be settled in 2022, and a cap of TEUR 500 for all subsequent four-year performance periods, which will be settled in subsequent years. The maximum annual remuneration per Management Board member is as follows, also in comparison to the remuneration valid in the 2020 financial year:

in EUR m	2020	2021	2022
Gross fixed salary p.a.	420	420	420
Benefits	20	20	20
STIP	125	200	200
LTIP	300	400	500
Total	865	1,040	1,140

In order to allow the Supervisory Board to grant a salary increase to one or more Management Board members, whether through an increase in gross annual salary, fringe benefits or variable remuneration components, the maximum annual remuneration per Management Board member may be increased from TEUR 1,140 to as much as TEUR 1,200 starting with 2023.

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162 (3) OF THE GERMAN STOCK CORPORATION ACT

To TAG Immobilien AG, Hamburg

Opinion

We have formally audited the remuneration report of TAG Immobilien AG, Hamburg, for the financial year from 1 January to 31 December 2021 to determine whether the disclosures pursuant to Section 162 (1) and (2) of the German Stock Corporation Act (AktG) have been duly included in the remuneration report. In accordance with Section 162 (3) of the German Stock Corporation Act, we have not audited the content of the remuneration report.

In our opinion, the attached remuneration report, which is included in the combined management report for the financial year 2021 of TAG Immobilien AG, Hamburg, in the Section entitled “Report on the main elements of the Company’s remuneration system (remuneration report pursuant to Section 162 of the German Stock Corporation Act)”, contains all material disclosures required by Section 162 (1) and (2) of the German Stock Corporation Act. Our audit opinion does not cover the content of the remuneration report.

Basis for opinion

We conducted our audit of the remuneration report in accordance with Section 162 (3) of the German Stock Corporation Act and IDW Auditing Standards: Audit of the Remuneration Report in accordance with Section 162 (3) of the German Stock Corporation Act (AktG) (IDW PS 870 (08.2021)). Our responsibility under that legislative requirement and the standard is further described in the “Auditor’s Responsibility” section of our report. In our auditing practice, we applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1). We have complied with the professional duties pursuant to the Auditors’ Code and the Professional Statutes for Auditors/Sworn Auditors, including the requirements for independence.

Responsibility of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of Section 162 of the German Stock Corporation Act. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our objective is to obtain reasonable assurance about whether all material disclosures pursuant to Section 162 (1) and (2) of the German Stock Corporation Act have been made in the remuneration report and to express an opinion on this in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 (1) and (2) of the German Stock Corporation Act. In accordance with Section 162 (3) of the German Stock Corporation Act, we have not audited the content of the individual disclosures for any errors or omissions or the fair presentation of the remuneration report.

Hamburg, 11 March 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Thiede
German Public Auditor

Fischer
German Public Auditor