

Remuneration report

The following remuneration report explains the basic principles of the remuneration system for members of the Management Board and Supervisory Board of HAMBORNER REIT AG, and describes the remuneration level and structure for officers for the 2020 financial year. The report is prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch, "HGB") and International Financial Reporting Standards (IFRS), as well as the German Accounting Standards (DRS 17). Additional disclosures are once again made to improve transparency.

For the Management Board and Supervisory Board of HAMBORNER, the principles of transparent corporate governance are essential in promoting and strengthening the confidence of national and international investors and customers, employees and the public at large in the management and monitoring of the company. Remuneration systems and the remuneration report take account of the basic principles, recommendations, and suggestions of the German Corporate Governance Code (DCGK).

I. Remuneration of the Supervisory Board in the 2020 financial year

1. BASIC PRINCIPLES

The remuneration system for the Management Board makes a vital contribution to implementation of the corporate strategy, which is designed to increase the company's value in the long-term and short-term while offering attractive annual dividends. The variable remuneration concept, which uses the HAMBORNER central key control parameters as performance criteria, is predominantly share-based and is structured according to a multi-year measurement principle. The Supervisory Board also uses ESG goals (environment, social, governance) to implement the sustainability strategy in the remuneration system as part of short-term variable remuneration, and therefore ensures that the Management Board considers key aspects of the corporate strategy, namely sustainable and profitable growth in tandem with increasingly important sustainability and climate change policies.

At the same time, the Management Board members are properly compensated based on performance and their area of work and responsibility. The goal is both to appropriately reward special achievements and meaningfully cut remuneration as a result of failure to achieve targets.

The following sets out guidelines regarding remuneration of the Management Board at HAMBORNER:

GUIDELINES ON MANAGEMENT BOARD REMUNERATION

Promotion of the corporate strategy	— Performance criteria based on key control parameters, which are aligned with the targeted company performance
Performance-based pay ("Pay for Performance")	— Payment of variable remuneration depends on the achievement of suitably ambitious targets — If targets are missed by a substantial margin, variable remuneration will not be paid
Focus on sustainable and long-term growth	— Focus on achieving long-term financial goals and consideration of ESG goals to enhance sustainable and long-term growth at HAMBORNER
Appropriateness of remuneration	— Remuneration commensurate with the work and performance of the Management Board member and the economic and financial position and performance of HAMBORNER
Alignment of interests	— Remuneration structure taking proper account of shareholders' interests and those of other stakeholders — Much of the variable remuneration is linked to the performance of HAMBORNER shares — Obligation to buy and hold HAMBORNER shares
Transparent structure	— Remuneration system structure clearly set out and transparent to shareholders and other stakeholders — Transparent reporting of remuneration and objectives

1.1 Remuneration systems used in the financial year

Management Board members are remunerated in line with the applicable remuneration system. The remuneration system for Mr Karoff was defined on 30 January 2020. This remuneration system will be presented for approval to the Annual General Meeting of 29 April 2021, and if approved, will form the basis of all new service agreements to be concluded or renewed (“2020 Remuneration System”).

For Mr Schmitz, the remuneration system approved by a large majority (89.5%) at the Annual General Meeting of 10 May 2017 (“2017 Remuneration System”), on which the last renewal of his Management Board agreement in 2017 was based, still applies in accordance with the DCGK and section 26j Introductory Act to the Stock Corporation Act (Einführungsgesetz zum Aktiengesetz, “EGAktG”) until the end of his appointment on 31 December 2022. Mr Schmitz is expected to retire on 31 December 2022. The 2017 remuneration system also applies to Board member Dr Mrotzek who passed away on 28 January 2020.

1.2. Definition and review of the remuneration system, including definition of specific total remuneration targets, appropriateness of Management Board remuneration

At the suggestion of the Executive Committee, the Supervisory Board approved a clearly structured remuneration system for the Management Board in accordance with section 87a (1) German Stock Corporation Act (Aktiengesetz, “AktG”), and will present this to the Annual General Meeting for approval in accordance with section 120a (1) AktG. The remuneration system is reviewed by the Supervisory Board on a regular basis. The Executive Committee provides support for preparation of the review.

To define the specific total remuneration target for each member of the Management Board, the Supervisory Board looks to create a reasonable balance between performance and duties of the relevant Management Board member, and ensures that the level of remuneration is commensurate with the company’s financial position, success, and future prospects. Remuneration of Management Board members should not exceed the usual remuneration without good reason. The long-term, sustainable growth of the company should also be considered.

In order to check appropriateness, a market comparison is performed using figures from similar companies (horizontal analysis). The Supervisory Board may carry out a comparison between two suitable groups of companies while taking country, size, and sector into account. This is usually done by comparing the remuneration of the HAMBORNER Management Board with the remuneration of Management Boards of SDAX companies, as HAMBORNER is listed on the SDAX. However, the Supervisory Board can also use a national group of competitors of listed property companies for the horizontal analysis.

The Supervisory Board used SDAX companies as a comparison group when performing the last horizontal analysis.

A vertical comparison of internal remuneration ratios between Management Board members and senior management, as well as the workforce, is performed showing remuneration trends over time. The Supervisory Board currently defines senior management as department managers. The workforce comprises all HAMBORNER employees excluding Management Board members and department managers.

2. OVERVIEW OF THE REMUNERATION SYSTEM

The HAMBORNER remuneration system consists of fixed and variable elements.

Fixed remuneration includes fixed remuneration and benefits such as company pension benefits.

Variable elements include short-term variable remuneration (short-term incentive; STI) and long-term variable remuneration (long-term incentive; LTI).

The following provides an overview of remuneration elements for the 2020 financial year:

ELEMENT	DESCRIPTION	2020 remuneration system	
		2020 remuneration system	2017 remuneration system
Fixed remuneration elements	Fixed remuneration	— Fixed remuneration paid in twelve identical portions	
	Benefits	— Essentially, provision of a company car for business and private use, insurance contributions, directors' and officers' liability insurance	
	Pension contributions and self-provision payment	— Annual amount to be used at recipient's discretion	— Employer-funded defined contribution pension by way of reinsured provident fund.
Variable remuneration elements	Short-term variable remuneration (STI)	<ul style="list-style-type: none"> — Target bonus — Performance criteria: <ul style="list-style-type: none"> — 60% funds from operations (FFO) per share — 40% occupancy rate — Criteria-based adjustment factor (modifier) ranging from 0.8 to 1.2 and consisting of ESG goals (environment, social, governance), individual and / or collective goals — Limit / cap: 150% of the target amount. — Payment: After the financial year 	<ul style="list-style-type: none"> — Limit / cap: 240% of the target amount — Payment: After the financial year
	Long-term variable remuneration (LTI)	<ul style="list-style-type: none"> — Performance share plan — Performance criteria: <ul style="list-style-type: none"> — 50% relative total shareholder return (TSR) vs. EPRA / NAREIT Europe ex UK Index — 50% performance of net asset value (NAV) per share — Performance period: Four years — Target achievement: 0–150% — Limit / cap: 200% of the target amount — Payment: After the four-year performance period 	<ul style="list-style-type: none"> — Virtual share commitments — Target amount can be adjusted by +/-20% — 50% LTI 1: <ul style="list-style-type: none"> — Absolute FFO, FFO per share, "like for like" portfolio performance over the last three years — 50% LTI 2: <ul style="list-style-type: none"> — Relative share price performance vs. EPRA / NAREIT Europe ex UK Index — Performance period: Three years — Target achievement: Each 0–200% — Share price performance limit: 200% of the price on the commitment date — Limit / cap: 480% of the target amount — Payment: After the three-year performance period
Other central design elements	Shareholding requirements	<ul style="list-style-type: none"> — Obligation to buy and hold HAMBORNER shares amounting to 200% of gross basic salary — Build-up phase: Four years — Requirement to hold shares for up to two years after the end of the Management Board term 	<ul style="list-style-type: none"> — Obligation to buy and hold HAMBORNER shares amounting to 200% of gross basic salary — Build-up phase: Four years
	Malus & clawback	— Option to partially or fully reduce or claw back variable remuneration	—
	Maximum remuneration for 2020	— Chair of the Management Board: €1,100,000	—
	Severance cap	— Payments relating to early termination of the appointment may be no higher than the value of two years' total remuneration, and may not be paid beyond the remaining term of the relevant service agreement	—
	Change of control	—	— Severance pay amounting to no more than 300% of the total annual remuneration

3. REMUNERATION ELEMENTS IN DETAIL

3.1. Fixed remuneration elements

3.1.1. Fixed remuneration

Fixed remuneration is a fixed payment which is based on the responsibilities and experience of the respective Management Board member, and is paid in twelve monthly instalments. Annual fixed remuneration for Mr Karoff is €350 thousand. As he joined the Management Board during the year on 1 March 2020, Mr Karoff received a pro rata temporis amount of €292 thousand in the 2020 financial year. Annual fixed remuneration for Mr Schmitz is €300 thousand.

3.1.2. Benefits

Members of the Management Board receive benefits in the form of non-cash and other benefits. Essentially, this involves the provision of an appropriate company car for business and private use, accident insurance, as well as pension, health insurance, and nursing insurance. In addition, the company doubled the household maintenance allowance for Mr Karoff for six months and met the costs of his weekly journeys home. HAMBORNER also took out directors and officers liability insurance for Management Board members with reasonable excess payments. In the 2020 financial year, benefits for Mr Karoff came to €29 thousand, and €23 thousand for Mr Schmitz.

3.1.3. Pension contributions and self-provision payment

According to the 2020 remuneration system, HAMBORNER provided Management Board members with an annual cash amount (self-provision payment) for the duration of the service agreement to fund a pension. This amount can be used at the Management Board members' discretion. The amount for Mr Karoff was €40 thousand p.a. As he joined the Management Board during the year on 1 March 2020, Mr Karoff received a pro rata temporis amount of €33 thousand in the 2020 financial year. A company pension is not granted.

According to the 2017 remuneration system, Management Board members receive a company pension in the form of an employer-funded defined contribution pension by way of reinsured provident fund. This commitment is valid for the duration of the service agreement with an annual contribution of €30 thousand.

3.2. Variable remuneration elements

3.2.1. Short-term variable remuneration (STI)

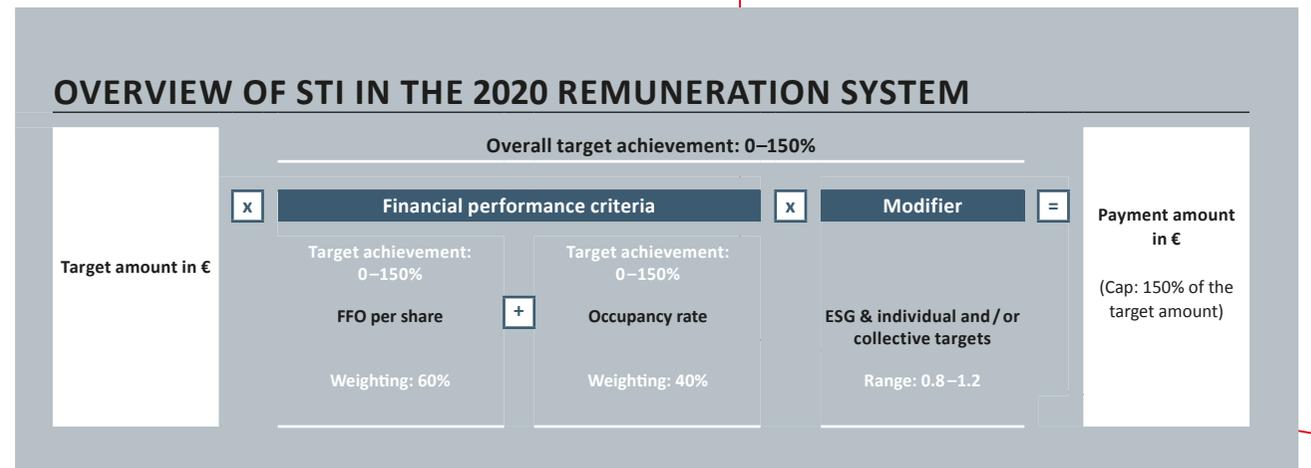
Short-term variable remuneration (STI) provides an incentive for operational implementation of the corporate strategic within a specific financial year. The STI target amount for Mr Karoff was set at €170 thousand p.a. following his appointment. As he joined the Management Board during the year, the STI target amount for Mr Karoff in the 2020 financial year was €141.7 thousand. The STI target amount for Mr Schmitz is €125 thousand.

The STI in the 2020 and 2017 remuneration systems only differs for the 2020 financial year with regard to the target achievement curves relating to financial performance criteria and potential maximum payment. Alongside financial performance criteria, the Supervisory Board does not implement financial performance criteria which is considered when calculating the payment using a criteria-based adjustment factor (modifier).

The STI is calculated by multiplying the target amount in Euros by the overall target achievement. The overall target achievement is in turn calculated from the two financial criteria of funds from operations (FFO) per share (60% weighting), and occupancy rate (40% weighting). The targets achieved within these criteria are added according to the weighting, and multiplied by the defined modifier (range 0.8–1.2). The target achievement range for the financial performance criteria and overall target achievement in the 2020 remuneration system is 0 to 150%. Management Board members may potentially fail to achieve any STI, while the maximum payment is limited to 150% of the target amount.

In the event of exceptional circumstances or developments (for example, sale of a company, merger with another company, or material changes to accounting and measurement methods) which mean that the STI payment would be higher or lower than it would have been without this exceptional circumstance, the Supervisory Board shall be entitled to reduce or increase the amount at its own discretion.

The STI in the 2020 remuneration system is set out as follows in the overview:



In contrast, the target achievement for financial performance criteria in the 2017 remuneration system has a range of 0 to 200%, where the maximum total payment is limited to 240%.

Funds from operations (FFO) per share

The FFO represents a key performance indicator to assess operating performance and is used by HAMBORNER as an important control parameter; for example, the HAMBORNER strategy bases corporate governance on this key indicator. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular.

At the start of the 2020 financial year, the Supervisory Board set a target value of €0.63 for FFO per share based on the budget. Target achievement is 100% when the set target for FFO per share is achieved.

If the actual number of shares is not within budget at year-end, the number of shares from the budget is still used to calculate the target achievement for FFO per share.

A lower threshold of €0.54 (–15% deviation from target) and an upper threshold of €0.72 (+15% deviation from target) was set for FFO per share in the 2020 remuneration system. If FFO per share falls

short of the lower threshold, target achievement is 0%. If the lower threshold is reached, target achievement is 50%. If the upper threshold is reached or exceeded, target achievement is 150%. A rise in FFO per share above the upper threshold does not mean that the target achievement is increased. Target achievement between the set thresholds and the target value is determined by linear interpolation.

The FFO per share achieved in accordance with the above-mentioned set targets was €0.63 in the 2020 financial year, resulting in a target achievement of 100% in the 2020 remuneration system. The following figure provides an overview of the target achievement for the FFO per-share performance criteria in the 2020 remuneration system in the 2020 financial year:

Deviating from this, a lower threshold of €0.32 (–50% deviation from target) and an upper threshold of €0.95 (+50% deviation from target) was set for FFO per share in the 2017 remuneration system. As in the 2020 remuneration system, this results in a target achievement of 100%.

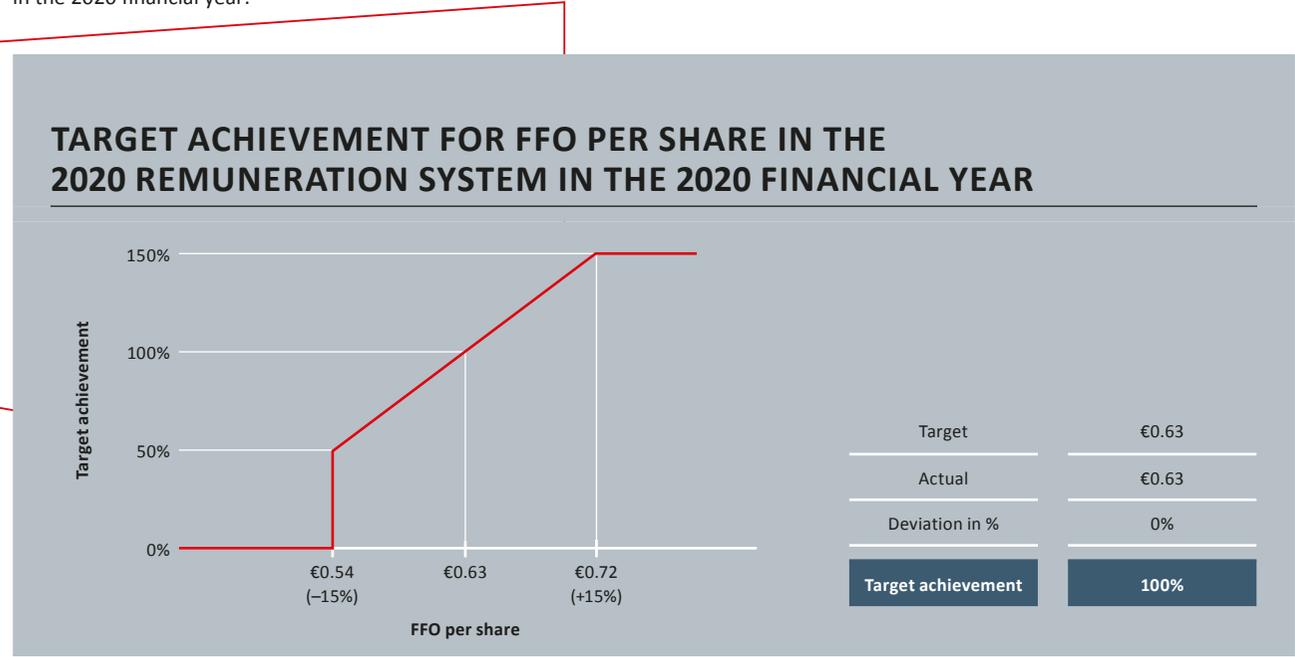
Occupancy rate

The occupancy rate specifies the share of leased units or vacant space in properties within the company portfolio. HAMBORNER calculates a period-based vacancy rate here as target rent for the vacant space in relation to total target rent. In an additional calculation for economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.

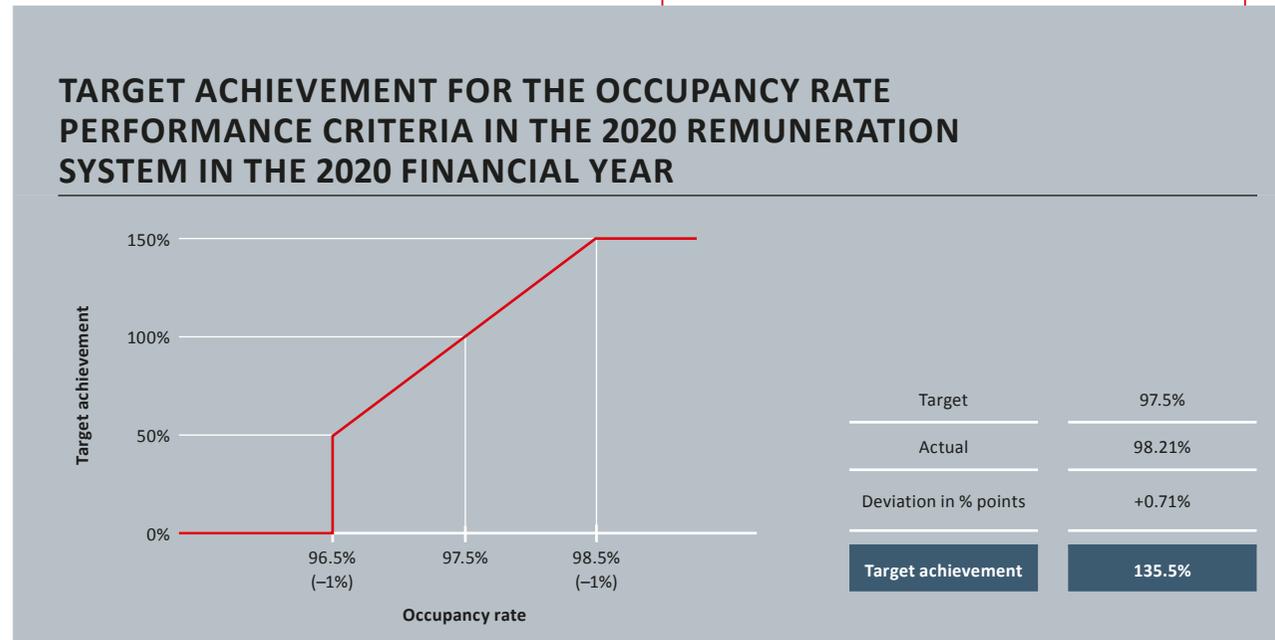
HAMBORNER has generated stable rental income in recent years with a regionally diversified portfolio and a high occupancy rate by market standards. Implementing occupancy rate in the STI should provide an incentive to maintain the occupancy rate at a high level.

At the start of the 2020 financial year, the Supervisory Board set a target of 97.5% for occupancy rate based on the budget. A lower threshold of 96.5% (–1% deviation from target) and an upper threshold of 98.5% (+1% deviation from target) was also set for FFO per share. Target achievement is 100% when the set target is achieved. If the achieved occupancy rate falls short of the lower threshold, target achievement is 0%. If the lower threshold is reached, target achievement in the 2020 remuneration system is 50%. If the upper threshold is reached or exceeded, target achievement in the 2020 remuneration system is 150%. A rise in occupancy rate above the upper threshold does not mean that the target achievement is increased further. Target achievement between the set thresholds and the target value is determined by linear interpolation.

The achieved occupancy rate in the 2020 financial year is 98.21%, resulting in a target achievement of 135.5% in the 2020 remuneration system.



The following figure provides an overview of the target achievement for the occupancy rate performance criteria in the 2020 remuneration system in the 2020 financial year:



The wider potential target achievement range (0–200%) in the 2017 remuneration system results in a target achievement of 171% based on an achieved occupancy rate of 98.21%.

Criteria-based adjustment factor (modifier)

The criteria-based adjustment factor (modifier) allows the Supervisory Board to assess the individual and collective performance of the Management Board and achievement of ESG goals (environment, social, governance), in addition to target achievement in the financial performance criteria of FFO per share and occupancy rate. Assessment criteria are set by the Supervisory Board at the start of each financial year. They are defined in line with the company strategy, and may include strategic projects as well as operating measures. The modifier ranges between 0.8 to 1.2.

For the 2020 financial year, the Supervisory Board set the following criteria for Mr Karoff: development of the portfolio strategy, investor relations work, and development of a holistic ESG concept.

For Mr Schmitz, the Supervisory Board also set criteria for assessing the modifier. These included successful management of his new division, integration of the new Management Board members, and conceptual work in the Asset Management division.

Following the end of the financial year, the Executive Committee and Supervisory Board addressed and discussed the previously defined criteria and their achievement in detail. A decision was taken on criteria achievement, following a detailed presentation and evaluation of the Management Board members’ performance based on the criteria. As a result, the Supervisory Board set the modifier for Mr Karoff to 1.2 and to 1.15 for Mr Schmitz.

Overall target achievement and payment for the 2020 financial year

The overall target achievement resulting from FFO per share, occupancy rate, and modifier, and the calculated payments are summarised in the following table:

MEMBERS OF THE MANAGEMENT BOARD	TARGET AMOUNT	TARGET ACHIEVEMENT FOR FFO PER SHARE	TARGET ACHIEVEMENT FOR OCCUPANCY RATE	MODIFIER	OVERALL TARGET ACHIEVEMENT	PAYMENT
Niclas Karoff	€141.7 thousand	100% (Weighting: 60%)	135.5% (Weighting: 40%)	1.2	137%	€194.1 thousand
Hans Richard Schmitz	€125 thousand	100% (Weighting: 60%)	171% (Weighting: 40%)	1.15	147.7%	€184.6 thousand

Dr Mrotzek was paid €10.4 thousand – i.e. 1/12 of his target – for the 2020 financial year.

3.2.2. Long-term variable remuneration (LTI)

The second results-based remuneration element is long-term variable remuneration (LTI). It is used to encourage sustainable and long-term growth and makes up the majority of the variable remuneration. The LTI target amount for Mr Karoff was set at €200 thousand p.a. As he joined the Management Board during the year, the LTI target amount for Mr Karoff in the 2020 financial year was €166.7 thousand. The LTI target amount for Mr Schmitz is €150 thousand.

3.2.2.1. Performance share plan

The LTI in the 2020 remuneration system is structured as a performance share plan with a performance period of four years, and is therefore designed to be a long-term incentive. Management Board members participate directly in the HAMBORNER share price through

the use of virtual performance shares. This helps to further align the interests of the Management Board and shareholders.

The number of contingent virtual performance shares for the annual tranches is set at the beginning of each financial year. For conversion into contingent virtual performance shares, the target amount is divided by the arithmetic mean of the closing prices of HAMBORNER's shares on the last 20 trading days before the start of the performance period. The performance period begins on 1 January of the respective financial year and closes at the end of the third financial year after allotment.

The main performance criteria are net asset value (NAV) performance per share and the relative total shareholder return (TSR), both of which are weighted at 50%. The TSR is calculated as the share price performance plus notionally reinvested dividends during the performance period. To calculate target achievement, the TSR performance of HAMBORNER's shares is compared against the

TSR performance of the EPRA/NAREIT Europe ex UK (total return) over the four-year performance period. The performance criteria permit target achievement at any figure between 0% and 150%.

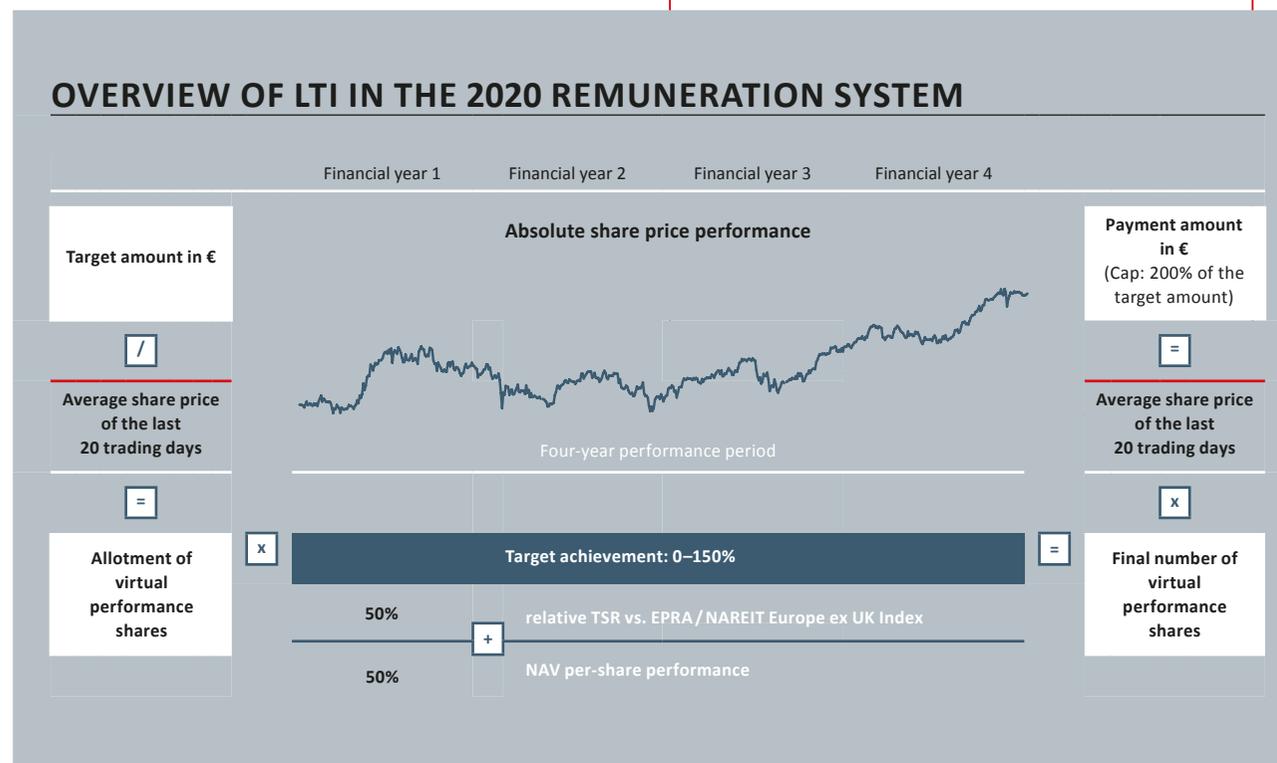
The targets for NAV per-share performance and relative TSR, including the respective corridors, are set by the Supervisory Board at the beginning of each performance period. If target achievement falls short of the lower threshold, target achievement is 0%. If the upper threshold is reached or exceeded, target achievement is 150%. The virtual performance shares, which are initially granted contingently, have a term of four years counting from the start of the performance period. The virtual performance shares are paid out in cash on maturity.

The payment amount is calculated as the final total number of virtual performance shares as determined by target achievement, multiplied by the arithmetic mean of the closing prices of HAMBORNER's shares on the last 20 trading days before the end of the performance period.

The maximum payment is capped at 200% of the target amount for each tranche.

In the event of exceptional circumstances or developments (for example, sale of a company, merger with another company, or material changes to accounting and measurement methods) which mean that the LTI payment would be higher or lower than it would have been without this exceptional circumstance, the Supervisory Board shall be entitled to reduce or increase the amount at its own discretion. This also applies if capital measures (e.g. capital increase with pre-emption rights, spin-off, scrip dividends, [reverse] splits) are implemented during the performance period.

An overview of the LTI is provided as follows:



Relative total shareholder return

Relative TSR is used as an external performance criteria aligned with the capital market, and is given a 50% weighting. The performance criteria takes account of TSR performance during the performance period measured against a comparison group defined by the Supervisory Board, and helps align the interests of Management Board and shareholders. Using a comparison of relevant competitors provides the Management Board with an incentive to outperform the comparison group over the long term.

The Supervisory Board selected EPRA/NAREIT Europe ex UK Index as the relevant comparison group. This index comprises various European companies in the property sector (including REITs). HAMBORNER is also part of the EPRA/NAREIT Europe ex UK Index.

To calculate the TSRs of HAMBORNER shares and the EPRA/NAREIT Europe ex UK Index during the performance period, we determine the arithmetic mean of the closing prices over the last 20 trading days prior to the start of the performance period and over the last

20 trading days before the end of the performance period (including notionally reinvested gross dividends during the performance period) and compare them. The relative TSR reflects the difference between the calculated HAMBORNER TSR and the EPRA/NAREIT Europe ex UK Index TSR.

The target for relative TSR, and target corridor with upper and lower threshold, are set by the Supervisory Board at the beginning of each performance period and published in the remuneration report at the end of the relevant performance period.

Performance of net asset value (NAV) per share

Performance of NAV per share is used as an internal performance criteria in the performance share plan, and is given a 50% weighting. Performance criteria is based on performance of NAV per share according to the HAMBORNER financial statements. Net asset value or net assets reflects the economic equity of HAMBORNER. It is determined by the fair values of the company’s assets – essentially the value of properties – net of the borrowed capital.

NAV per share is the main benchmark for the asset strength of HAMBORNER and is a key indicator for HAMBORNER as part of value-oriented company management. HAMBORNER’s goal is to increase the long-term NAV per share through value-adding measures.

The target for performance of NAV per share, and target corridor with upper and lower threshold, are set by the Supervisory Board at the beginning of each performance period and published in the remuneration report at the end of the relevant performance period.

3.2.2.2. Virtual share commitments

Virtual non-vested share commitments are allotted according to the 2017 remuneration system. The Supervisory Board can adjust the LTI target amount by up to 20% in either direction based on the personal performance of the member of the Management Board. The maximum payment is capped at 480% of the target amount.

Half of the set target amount (LTI 1) is linked to performance of absolute FFO and FFO per share and to the like-for-like development in the value of the portfolio over the past three years prior to allotment. The Supervisory Board determines the level of target achievement; this may vary between 0% and 200% (cap). The target achievement determines the actual cash value of the commitment and the resulting number of virtual share commitments.

For the other half of the set target amount (LTI 2), the Supervisory Board will initially allot a number of virtual share commitments equivalent to the cash value of half of the target amount on the commitment date. The Supervisory Board also determines a target system (target value for 100% and target corridor) for HAMBORNER share price performance relative to the EPRA/NAREIT Europe ex UK Index. After the end of the retention period, the Supervisory Board determines the relative performance of HAMBORNER shares as against the index. This results in a level of target achievement that may vary between 0% and 200% (cap). If the target achievement

exceeds 100%, the number of virtual share commitments is increased in proportion to the extent by which targets are exceeded. If the target achievement is less than 100%, a number of virtual share commitments corresponding to the shortfall will be forfeited. The value in excess of the cap will be disregarded if the closing price at the settlement date amounts to more than 200% (cap) of the closing price on the respective commitment date. The retention period ends after the second trading day following publication of the results for the third year after the commitment is entered into. The equivalent value of virtual share commitments is paid in cash after the end of the retention period.

3.2.2.3. Information regarding allotment of the LTI tranche for 2020

The LTI tranche for 2020 was allotted to Management Board members at the start of the 2020 financial year. An overview of individual targets, allotment price, and the number of allotted virtual performance shares or virtual share commitments is shown in the following table:

MEMBERS OF THE MANAGEMENT BOARD	APPLICABLE REMUNERATION SYSTEM	TARGET AMOUNT	ALLOTMENT PRICE	NUMBER OF ALLOTTED VIRTUAL PERFORMANCE SHARES / VIRTUAL SHARE COMMITMENTS
Niclas Karoff	2020 remuneration system	€166.7 thousand	€9.66	17,253
				LTI 1: 10,027
Hans Richard Schmitz	2017 remuneration system	€150.0 thousand	€7.48	20,054
				LTI 2: 10,027

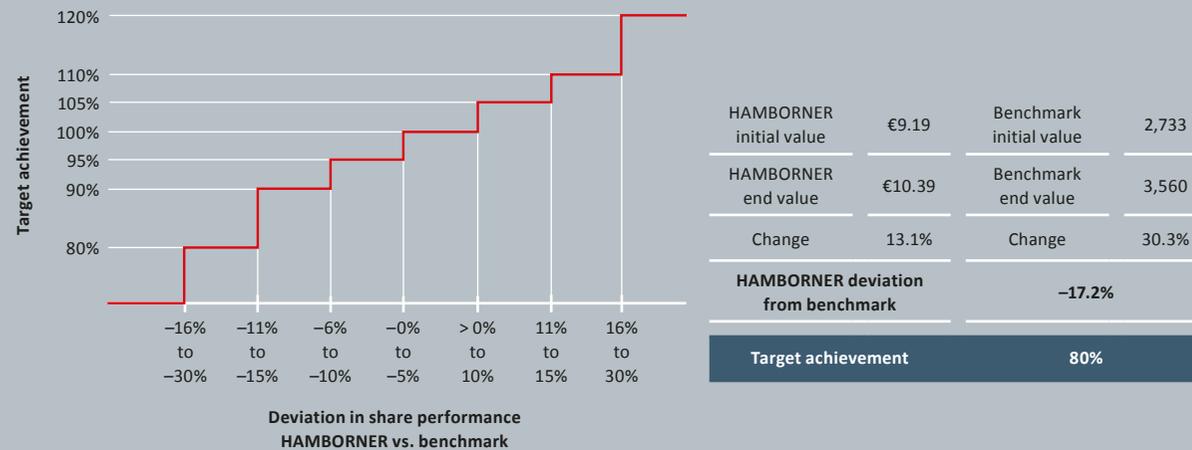
3.2.2.4. Target achievement and payment of the LTI tranche for 2017

The LTI tranche for 2017 was paid in the 2020 financial year after the end of the three-year performance period.

Half of the target amount (LTI 1) was dependent on performance of absolute FFO and FFO per share and like-for-like growth in the portfolio's value over the three years prior to allotment. Absolute FFO rose by 47.4%, while FFO per share fell by 16.7%; the number of shares increased by around 75% within the period. The portfolio's like-for-like value rose by 11.0%. Based on this positive overall performance, the Supervisory Board set a target of 100% for LTI 1 in the 2017 LTI tranche, which determined the commitment's actual monetary value and the resulting number of share commitments.

The Supervisory Board allotted a number of share commitments to the other half of the target amount, with the final number calculated according to target achievement at the end of the performance period. Target achievement in LTI 2 was linked to how the HAMBORNER share price performed relative to the EPRA/NAREIT Europe ex UK Index. Prior to the start of the performance period, the Supervisory Board defined the target achievement curve shown in the overview below to measure relative share performance. HAMBORNER shares achieved double-digit growth over the performance period. Despite this positive outcome, the performance of the EPRA/NAREIT Europe ex UK Index was not bettered, and so the target achievement was 80%.

TARGET ACHIEVEMENT CURVE FOR RELATIVE SHARE PERFORMANCE (LTI 2) – 2017 LTI TRANCHE



Based on the targets set in LTI 1 and LTI 2, Mr Schmitz receives the following payment from the 2017 LTI tranche:

MEMBERS OF THE MANAGEMENT BOARD	TARGET AMOUNT	PRO RATA TARGET AMOUNT	ALLOTMENT PRICE	NUMBER OF ALLOTTED VIRTUAL SHARE COMMITMENTS	TARGET ACHIEVEMENT	CLOSING PRICE	PARTIAL PAYMENT	PAYMENT
LTI 1 Hans Richard Schmitz	€130 thousand	€65 thousand	€9.19	7,073	100%	€10.39	€73.5 thousand	€132.3 thousand
LTI 2		€65 thousand		7,073	80%		€58.8 thousand	

3.2.2.5. Further information on share-based remuneration

Further information on share-based remuneration in the 2020 financial year can be found in the following table:

SHARE-BASED REMUNERATION IN € THOUSAND	2020			2019		
	Value of virtual shares on allotment	Quantity on allotment	Expenses	Value of virtual shares on allotment	Quantity on allotment	Expenses
Niclas Karoff	167	17,253	81	–	–	–
Hans Richard Schmitz	150	20,054	149	150.0	16,216	187
Dr Rüdiger Mrotzek	0	0	15	150.0	16,216	187
TOTAL	317	37,307	245	300.0	32,432	374

3.3. Shareholding requirement (share ownership guidelines)

Shareholding requirements (share ownership guidelines) for Management Board members are set to further reconcile the interests of the Management Board and shareholders. Shareholding requirements are another key element which helps align the remuneration system with long-term and sustainable growth at HAMBORNER.

They require each Management Board member to hold a substantial number of HAMBORNER shares for the duration of their appointment. In the 2020 remuneration system, Management Board members are also required to retain the shares held for two years after the end of their appointment.

The requirement for all Management Board members is 200% of gross fixed remuneration.

The shares held to meet the shareholding requirement must be built up within four calendar years in the 2020 remuneration system. Mr Karoff must meet the shareholding requirement by 31 December 2023. In order to do so, he needs to acquire 25% of the set minimum number of shares held. Mr Karoff met this requirement in the 2020 financial year. Mr Schmitz met the full shareholding requirement at the end of 2015:

MEMBERS OF THE MANAGEMENT BOARD	AMOUNT TO BE HELD IN % OF GROSS FIXED REMUNERATION	NUMBER OF SHARES HELD AS AT 31 DECEMBER 2020	END OF THE BUILD-UP PHASE
Niclas Karoff	200%	20,193	31 Dec. 2023
Hans Richard Schmitz	200%	80,000	Already met

3.4. Malus and clawback rules

According to the 2020 remuneration system, the Supervisory Board has the option of reducing or retaining unpaid variable remuneration elements (compliance malus) or demanding the return of paid variable remuneration elements (compliance clawback) in the event of a material breach by Management Board members of statutory requirements, their service requirements, the company's internal code of conduct, or the HAMBORNER compliance guidelines.

In addition, the Supervisory Board must have the option of correcting the calculation of variable remuneration elements based on incorrect data – for example, incorrect consolidated financial statements – when these elements are calculated or paid, or of demanding the return of variable remuneration elements which have already been paid (performance clawback).

No variable remuneration elements were returned or reduced in the 2020 financial year.

3.5. Maximum remuneration

In accordance with section 87a paragraph 1 (2) (1) AktG, the Supervisory Board defined a maximum payment for Management Board members in the 2020 remuneration system, which limits the maximum payment of all remuneration components for a financial year. As Chair of the Management Board, the maximum remuneration for Mr Karoff was €1,100 thousand in the 2020 financial year. Compliance with the set maximum remuneration can only be assessed after the end of the 2020 LTI tranche.

4. LEGAL TRANSACTIONS RELATING TO REMUNERATION

4.1 Commitments at the end of the Management Board term

Under the 2020 remuneration system, in the event of the Supervisory Board revoking the appointment of a member of the Management Board, the member of the Management Board will receive the present value (basis: 2%) of the gross fixed annual salary, the STI and LTI, that would have arisen by the regular end of his contract as compensation for early termination; severance pay cannot exceed twice the gross annual fixed remuneration, the STI and LTI, assuming 100% target achievement (severance cap).

Under the 2017 remuneration system, in the event of the Supervisory Board revoking the appointment of a member of the Management Board, the member of the Management Board will receive the present value (basis: 2%) of his gross fixed annual salary that would have arisen by the regular end of his contract as compensation for early termination, whereby compensation cannot exceed the value of total annual remuneration including benefits for two years, assuming 100% attainment of targets (severance cap).

Severance shall not be owed if the service agreement has been terminated without notice or if the conditions for termination of the service agreement without notice existed on the date on which the appointment was revoked.

Furthermore, the member of the Management Board will receive a pro rata temporis STI to be determined at the discretion of the Supervisory Board until the date of dismissal.

Under the 2020 remuneration system, the LTI is calculated and paid in accordance with the originally agreed measurement principles (performance criteria, performance period, etc.) and maturity dates,

while under the 2017 remuneration system, if the Management Board member still has virtual share commitments subject to the re-

tention period as at the time of his departure, they will expire at the end of the second trading day after publication of the results for the past financial year. The company will settle the commitment in cash at this point.

The 2020 remuneration system stipulates that if a Management Board member dies during the term of their service agreement, the fixed remuneration shall be paid to surviving dependents for the month in which the member died and for the six months following this month, but not beyond the scheduled end of the agreement. The STI is paid immediately in the event of permanent incapacity for work or death of the Management Board member. The payment in this case matches the target amount. All allotted virtual performance shares, which have not yet completed the performance period, are paid immediately in the LTI in the event of permanent incapacity for work or death of the Management Board member. The payment matches the cumulative target amount of all outstanding tranches; for the financial year in which the service agreement ends, the target amount is reduced by 1/12 for each month in which the service agreement has not been in place in this financial year. Payment is made no later than two months after the end of the service agreement.

The 2017 remuneration system stipulates that if a Management Board member dies during the term of their service agreement, the fixed remuneration shall be paid to surviving dependents for the month in which the member died and for the six months following this month. Share-based remuneration components committed in the past remain unaffected. Any retention periods end on the last trading day of the month in which the member dies. At this point, HAMBORNER will settle the commitment in cash based on the closing price on this date.

Virtual share commitments from 2017, 2018, and 2019 (LTI 2017 to LTI 2019) to be paid out in 2020 following the death of Dr Mrotzek, resulted in a payment of €448 thousand at a share price on payment of €10.11.

4.2. Change of Control

According to the 2020 remuneration system, there are no rules in place for a change of control.

However, the 2017 remuneration system states that in the event of a change of control – i.e. if one or more shareholders acting in concert acquire 30% or more voting rights in HAMBORNER or HAMBORNER becomes a dependent company by concluding a company agreement within the meaning of section 291 AktG – the Management Board member has the right to terminate his service agreement if the change of control would mean a significant change to his position, such as through a change in the company's strategy or a change to his activities.

In exercising this right of termination, the member has a claim to compensation in the amount of the total annual remuneration to the end of his original service agreement, but not exceeding total remuneration for three years. Share-based remuneration components committed in the past remain unaffected. Any retention periods end on the day of departure. The company will settle the commitment in cash at this point.

No claim to compensation exists if the Management Board member receives benefits from third parties in connection with the change of control. There is also no right to termination if the change of control occurs within twelve months of his retirement.

4.3. Loans to Management Board members

In the 2020 financial year, HAMBORNER granted no advances or loans to Management Board members. Neither were there any loans or advances to Management Board members from previous years.

4.4. Remuneration from third parties with regard to Management Board work

No members of the Management Board received benefits or corresponding commitments from third parties in the past financial year for their work as members of the Management Board.

5. INDIVIDUAL DISCLOSURE OF MANAGEMENT BOARD REMUNERATION

In accordance with 4.2.5 Annex Tables 1 and 2 DCGK as amended on 7 February 2017 (DCGK 2017), the following table sets out the "Granted Benefits" provided by HAMBORNER in terms of DCGK 2017. Although the basic recommendation for disclosure of these tables no

longer applies in the new version of the DCGK, the Management Board and Supervisory Board decided to maintain the level of transparency achieved to date, and to continue using the reference tables.

Remuneration of active Management Board members in the financial year consisted of the following for the 2020 financial year in terms of the "Granted Benefits" reference table in DCGK 2017.

GRANTED BENEFITS	NICLAS KAROFF				HANS RICHARD SCHMITZ				DR RÜDIGER MROTZEK			
	Chair of the Management Board since 1 March 2020				Management Board member since 1 December 2008				Management Board member until 28 January 2020			
in € thousand	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019
Fixed remuneration	292	292	292	–	300	300	300	276	52 *	52 *	52 *	276
Benefits	29	29	29	–	23	23	23	22	3	3	3	32
Total	321	321	321	–	323	323	323	298	55	55	55	308
Short-term variable remuneration	142	0	255	–	125	0	300	125	10	0	23	125
Long-term variable remuneration	167	0	333	–	150	0	720	150	0	0	0	150
LTI 1 (2019) Plan ending 2021	–	–	–	–	–	–	–	75	–	–	–	75
LTI 2 (2019) Plan ending 2022	–	–	–	–	–	–	–	75	–	–	–	75
LTI 1 (2020) Plan ending 2023	–	–	–	–	75	0	360	–	–	–	–	–
LTI 2 (2020) Plan ending 2023	–	–	–	–	75	0	360	–	–	–	–	–
LTI (performance share plan) (2020) Plan ending 2023	167	0	333	–	–	–	–	–	–	–	–	–
Total	630	321	909	–	598	323	1,343	573	65	55	78	583
Pension expenses and self-provision payment	33	33	33	–	30	30	30	30	2	2	2	30
Total remuneration under DCGK	663	354	942	–	628	353	1,373	603	67	57	80	613
Performance-based adjustment of the one-year variable remuneration	52	0	0	–	60	0	0	71	0	0	0	71
TOTAL REMUNERATION	715	354	942	–	688	353	1,373	674	67	57	80	684

* including leave compensation

The table below, which largely corresponds to the “Allocation” reference table of DCGK 2017, shows the fixed and variable remuneration allocated for the 2020 financial year, including their relative shares.

6. REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD

Total remuneration for former members of the company’s Management Board and their surviving dependents amounted to €372 thousand in the 2020 financial year. Pension provisions recognised for this group of people amount to €3,352 thousand in accordance with IFRS (HGB: €2,711 thousand).

ALLOCATED REMUNERATION	NICLAS KAROFF				HANS RICHARD SCHMITZ				DR RÜDIGER MROTZEK			
	Chair of the Management Board since 1 March 2020		Management Board member since 1 March 2020		Management Board member since 1 December 2008		Management Board member since 1 December 2008		Management Board member until 28 January 2020		Management Board member until 28 January 2020	
in € thousand	2020	2020 (in %)	2019	2019 (in %)	2020	2020 (in %)	2019	2019 (in %)	2020	2020 (in %)	2019	2019 (in %)
Fixed remuneration	292	53.3	–	–	300	44.8	276	43.5	52 *	10.1	276	42.8
Benefits	29	5.3	–	–	23	3.4	22	3.5	3	0.6	32	5.0
Total	321	58.6	–	–	323	48.2	298	47.0	55	10.7	308	47.8
Short-term variable remuneration	194	35.4	–	–	185	27.6	196	30.9	10	1.9	196	30.4
Long-term variable remuneration	–	–	–	–	132	19.7	111	17.5	448	87.0	111	17.2
Total	515	94.0	–	–	640	95.5	605	95.3	513	99.6	615	95.3
Pension expenses and self-provision payment	33	6.0	–	–	30	4.5	30	4.7	2	0.4	30	4.7
TOTAL REMUNERATION	548	100.0	–	–	670	100.0	635	100.0	515	100.0	645	100.0

* including leave compensation

II. Remuneration of the Supervisory Board in the 2020 financial year

1. SUPERVISORY BOARD REMUNERATION SYSTEM

Remuneration of the Supervisory Board is regulated in Article 13 of the Articles of Association. In order to ensure that the Supervisory Board can exercise its monitoring and advisory function independently, members are paid by fixed remuneration only. As remuneration does not depend on the short-term results of HAMBORNER, the Supervisory Board can target its work at HAMBORNER’s long-term development.

The additional hours worked by the Chair and Deputy Chair, as well as the chairs and members of committees, are taken into account in the Supervisory Board's remuneration.

The fixed remuneration is paid after the end of the financial year and is €22,500 p.a. The Chair receives double this remuneration (€45,000), and the Deputy Chair three quarters of this amount (€33,750).

Besides this, Supervisory Board members receive the following additional remuneration for work in Supervisory Board committees: annual remuneration of €5,000 for work on the Executive Committee or Audit Committee. The committee chair receives double the addi-

tional remuneration (€10,000) to take full account of the extra work involved. If the Nomination Committee meets in a financial year, its members receive additional annual remuneration of €2,500. The committee chair receives double this additional remuneration (€5,000).

Members of the Supervisory Board who have been on the Supervisory Board or the relevant committee for only part of the financial year receive their remuneration pro rata temporis.

In addition, each Supervisory Board member receives a meeting allowance of €500 each time they attend a meeting in person, over the phone, or via video conferencing or similar link.

HAMBORNER decided to provide Supervisory Board members with liability insurance which covers statutory liability arising from their work on the Supervisory Board.

2. REMUNERATION OF SUPERVISORY BOARD MEMBERS FOR THE 2020 FINANCIAL YEAR

Remuneration of Supervisory Board members for the 2020 financial year is €326.0 thousand in total (previous year: €320.8 thousand) and is reported individually in the following table:

SUPERVISORY BOARD REMUNERATION	2020							2019						
	Fixed remuneration	(in %)	Committee remuneration	(in %)	Meeting allowances	(in %)	Total	Fixed remuneration	(in %)	Committee remuneration	(in %)	Meeting allowances	(in %)	Total
in € thousand														
Dr Andreas Mattner	36.4	74.9	9.2	18.9	3.0	6.2	48.6	33.8	77.2	7.5	17.1	2.5	5.7	43.8
Bärbel Schomberg	34.7	72.0	11.5	23.9	2.0	4.1	48.2	45	72.0	15.0	24.0	2.5	4.0	62.5
Claus-Matthias Böge	25.1	58.2	15	34.8	3.0	7.0	43.1	22.5	56.3	15.0	37.5	2.5	6.3	40.0
Mechthilde Dordel	22.5	88.2	0.0	0.0	3.0	11.8	25.5	22.5	90.0	0.0	0.0	2.5	10.0	25.0
Maria Teresa Dreo	5.2	65.0	1.8	22.5	1.0	12.5	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rolf Glessing	22.5	68.2	7.5	22.7	3.0	9.1	33.0	22.5	69.2	7.5	23.1	2.5	7.7	32.5
Ulrich Graebner	22.5	68.2	7.5	22.7	3.0	9.1	33.0	14.7	69.7	4.9	23.2	1.5	7.1	21.1
Wolfgang Heidermann	17.3	74.6	3.9	16.8	2.0	8.6	23.2	22.5	75.0	5.0	16.7	2.5	8.3	30.0
Klaus Hogeweg	5.2	83.9	0.0	0.0	1.0	16.1	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Christel Kaufmann-Hocker	22.5	73.8	5.0	16.4	3.0	9.8	30.5	22.5	75.0	5.0	16.7	2.5	8.3	30.0
Dr Helmut Linssen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.8	71.6	2.6	23.9	0.5	4.6	10.9
Dieter Rolke	17.3	89.6	0.0	0.0	2.0	10.4	19.3	22.5	90.0	0.0	0.0	2.5	10.0	25.0
Johannes Weller	5.2	70.3	1.2	16.2	1.0	13.5	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	236.4	72.5	62.6	19.2	27.0	8.3	326.0	236.3	73.7	62.5	19.5	22	6.9	320.8

In addition and in accordance with Article 13(3) of the Articles of Association, the company reimburses the members of the Supervisory Board for expenses incurred in the execution of their office, including VAT due on remuneration and reimbursement of expenses.

As in the previous year, the members of the Supervisory Board received no further remuneration or benefits beyond this in the reporting year for services provided personally, including in particular consulting or mediation services. The members of the Supervisory Board received no loans or advances from the company.

III. Comparative remuneration of Management Board members and Supervisory Board members, including the rest of the workforce, and the company's growth in earnings

The following table compares the remuneration growth of Management Board and Supervisory Board members, as well as the rest of the workforce and the HAMBORNER growth in earnings. In future annual reports, this table will be extended year by year up to an analysis period of five years. The Management Board member remuneration shown in the table reflects the actually allocated amounts in the financial year (see "Allocated remuneration" table). All HAMBORNER employees on a full-time equivalent basis, except for Management Board members, are incorporated into the table showing average employee remuneration and changes to this remuneration. The HAMBORNER-central key financial ratio of funds from operations (FFO) has been selected to illustrate the growth in earnings.

IN € THOUSAND	2020	2019	CHANGE IN %
Member of the Management Board			
Niclas Karoff	548	–	–
Dr Rüdiger Mrotzek	515	645	-20.2
Hans Richard Schmitz	670	635	5.5
Members of the Supervisory Board *			
Dr Andreas Mattner	48.6	43.8	11.0
Bärbel Schomberg	48.2	62.5	-22.9
Claus-Matthias Böge	43.1	40.0	7.8
Mechthilde Dordel	25.5	25.0	2.0
Maria Teresa Dreö	8.0	–	–
Rolf Glessing	33.0	32.5	1.5
Ulrich Graebner	33.0	21.1	56.4
Wolfgang Heidermann	23.2	30.0	-22.7
Klaus Hogeweg	6.2	–	–
Christel Kaufmann-Hocker	30.5	30.0	1.7
Dr Helmut Linssen	–	10.9	–
Dieter Rolke	19.3	25.0	-22.8
Johannes Weller	7.4	–	–
Average	36.2	35.6	1.6
Employees			
Average total workforce	85.6	82.0	4.5
Growth in earnings			
Funds from operations (FFO)	55,609	54,308	2.4

* including meeting allowances