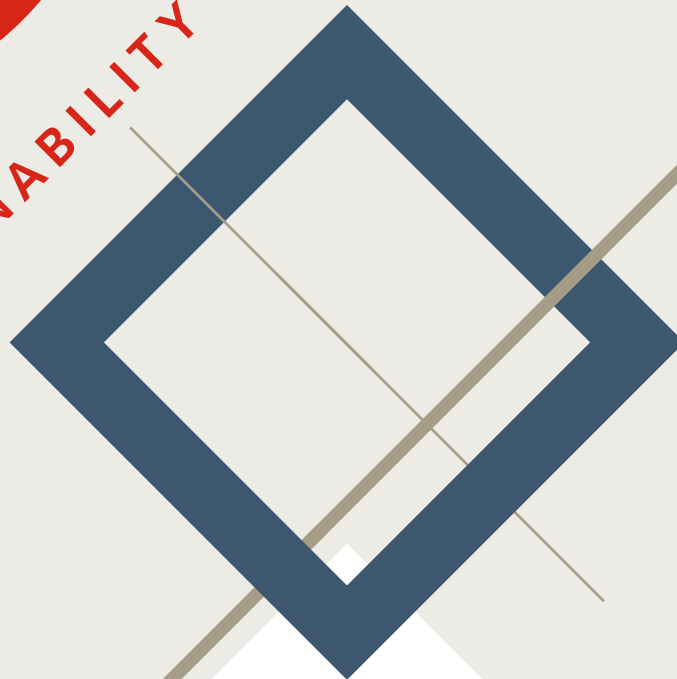




SUSTAINABILITY REPORT



2017

HAMBORNER REIT AG AT A GLANCE

HAMBORNER REIT AG is a listed public company that now operates exclusively in the property sector and is positioned as a portfolio holder for high-yield commercial properties. The company generates sustainable rental income on the basis of a solid portfolio of properties distributed throughout Germany. The portfolio focuses on attractive retail properties in the centres of major and medium-sized German cities in addition to high-footfall specialist stores and profitable offices and medical centres.

HAMBORNER REIT AG is distinguished by its many years of experience on the property and capital market, its lean and transparent corporate structure and its special proximity to its tenants. The company is a registered real estate investment trust (REIT) and benefits from corporation and trade tax exemption at company level. HAMBORNER REIT AG's property portfolio had a fair value of more than €1.1 billion as at 31 December 2016.

Selection of material indicators for reporting according to G4, core option

Performance indicator		2016	2015	2014
FFO	€ million	36.1	29.2	24.6
Net asset value	€ million	768.5	564.7	394.5
LTV	%	30.1	35.0	43.3
Market value of property portfolio	€ million	1,115.0	900.0	717.5
Heating energy consumption*	kWh/m ² of usable floor area	62.3	57.7	60.5
Water consumption*	m ³ /m ² of usable floor area	0.27	0.26	0.25
Employee development, number of employees as at 31 December not including Management Board		32	31	29

* Based on the respective analysis portfolio for the relevant year.

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LETTER FROM THE MANAGEMENT BOARD

DEAR READERS,

For the fifth year in a row, we are now supplementing our annual report with a sustainability report. As in the past, our reporting is based on the guidelines of the Global Reporting Initiative (GRI). These form a framework for internationally comparable reporting principles for governance geared towards economic, environmental and social sustainability. Last year we began reporting according to the fourth generation of the GRI standard (G4). Since then there has been an even stronger focus on the aspects of sustainability most important to HAMBORNER and its stakeholders, which are explained in depth in this report.

The issue of sustainability is a central element of the corporate philosophy of HAMBORNER REIT AG. The formulation and ongoing development of our sustainability strategy is the direct responsibility of the Management Board. The issues relevant to sustainability and the corresponding processes are implemented in the individual divisions. We instruct all employees to act in a manner consistent with sustainability and advise them on a range of guidelines and rules of conduct.

We are delighted to report on last year's progress in our criteria relevant to sustainability:

- / The fair value of the property portfolio was increased to more than €1 billion by the purchase of five properties with a value of around €180 million. The net asset value of our company rose by 36% compared to the previous year and NAV per share climbed by 6%.
- / We grew income from rents and leases by 17.9% and FFO by 23.5%.
- / We distributed a dividend of €0.43 per share to our shareholders for 2016, an increase of 2.4%. Based on the share price at the end of the year, this marks a dividend yield of 4.8%.
- / The database for the analysis of ecological consumption data has grown again.
- / Our headcount has continued to rise. The number of employees has increased by a third from 24 to 32 since the end of 2012.
- / The number of training hours per employee was nearly doubled compared to 2015.



HANS RICHARD SCHMITZ
MEMBER OF THE MANAGEMENT BOARD
OF HAMBORNER REIT AG

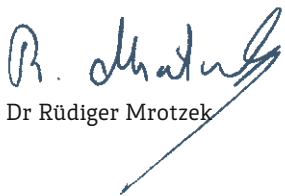
DR RÜDIGER MROTZEK
MEMBER OF THE MANAGEMENT BOARD
OF HAMBORNER REIT AG

The focus of our long-term development remains on improving our key performance indicators relevant to sustainability. With continuous value-adding growth, the yield-oriented expansion of our property portfolio and the increased attractiveness and efficiency of our properties, we expect to continue generating sustainable returns for our shareholders. In the short to medium term we intend to further broaden the dialogue with our internal and external stakeholders, and to gear our business and sustainability strategy even more closely to the needs of stakeholders.

We wish you an insightful read and thank you for the trust you have shown and the good cooperation over the past year.

HAMBORNER REIT AG

The Management Board


Dr Rüdiger Mrotzek


Hans Richard Schmitz

ABOUT THIS REPORT

PRINCIPLES OF REPORTING

The fifth sustainability report from HAMBORNER REIT AG gives our stakeholders an insight into the economic, environmental and social aspects that are essential to HAMBORNER in terms of sustainable governance and which form the basis for ensuring the continued existence of our company in the long term.

In implementing sustainable governance, HAMBORNER is guided by international and national sustainability standards and the guidelines of the Global Reporting Initiative (GRI), the European Public Real Estate Association (EPRA) and the German Central Real Estate Committee (ZIA). In addition, the company follows the recommendations of the Government Commission for the German Corporate Governance Code and is a member of the "Initiative Corporate Governance der deutschen Immobilienwirtschaft".

The report is based on data and information from the period 1 January to 31 December 2016 and is entitled "Sustainability Report 2016". It builds on the previous year's report, which was published in October 2016 and covered the 2015 financial year. The data and information relevant to sustainability were recorded and analysed by the Accounting and Real Estate & Properties divisions. The information was merged and the sustainability report was created by the Investor and Public Relations department. The key economic figures are taken from the audited IFRS annual financial statements of HAMBORNER REIT AG for the 2016 financial year.

The sustainability report is not audited by a third party.

GRI G4 REPORTING STANDARDS WITH INDUSTRY-SPECIFIC ZIA AND EPRA RECOMMENDATIONS

Adherence to a uniform standard is essential for better comparability of sustainability reports. The ZIA recommends adopting the reporting approach of the Global Reporting Initiative (GRI), which is already used around the world, or adapting it for the property industry. The GRI has defined internationally recognised and applicable guidelines for sustainability reports that HAMBORNER REIT AG follows. HAMBORNER uses the GRI's G4 Framework. It also applies the EPRA Best Practices Recommendations and the Construction and Real Estate Sector Supplement (CRESS), which were specially developed for the property sector, to its sustainability reporting.

This sustainability report was prepared "in accordance" with the core option offered under GRI G4. This means that it covers the aspects and indicators material to sustainable governance. Sustainability reporting "in accordance" with the GRI G4 comprehensive option is inexpedient for HAMBORNER as its management is based on the material and meaningful indicators for the fields of the economy, the environment and society.

Reporting "in accordance
with" GRI

CORE

ZIA SUSTAINABILITY CODE – VOLUNTARY COMMITMENT

Under the banner of the Federation of German Industries (BDI), the German Central Real Estate Committee (ZIA), as a unified and comprehensive interest group, has taken on the social, economic and environmental responsibility of the property sector. Leading business representatives from the property industry in Germany, who consider sustainability to be fundamentally important and a business necessity for both their own operations and the industry as a whole, joined to form the Sustainability Council of the ZIA and developed sustainability guidelines for the property sector. These are a guide and code for the industry to which companies can make a voluntary commitment. The core element of the code is the commitment to regular, annual reporting. With the aim of promoting a comprehensive understanding of sustainable action and contributing to more consistency and comparability within the property industry, HAMBORNER has made this voluntary commitment. Further information on the ZIA Sustainability Code can be found at:

<http://www.zia-deutschland.de/themen/corporate-social-responsibility/>

Structuring the property industry provides guidance

The central benchmark for business activity in the property industry is property. The life cycle of a property provides for a series of duties that together reflect the diversity of the industry and its companies. In order to appropriately address the specialisation of the individual companies and the different sustainability issues they each face, the ZIA has devised seven clusters that define activities in the property industry: "Producing", "Operating & Letting", "Investing", "Financing", "Using", "Advising" and "Researching and Teaching". As a long-term asset manager for office and retail property, the "Operating & Letting" cluster is key to HAMBORNER and is the foundation of our sustainability concept.

Long-term asset manager of profitable commercial properties

Property industry activities



CLUSTER 1
PRODUCING



CLUSTER 2
OPERATING &
LETTING



CLUSTER 3
INVESTING



CLUSTER 4
FINANCING



CLUSTER 5
USING



CLUSTER 6
ADVISING



CLUSTER 7
RESEARCHING &
TEACHING

3 dimensions
of sustainability

LIKE-FOR-LIKE APPROACH

In our reporting we have not just published the absolute figures for the 2016 financial year. To ensure comparable reporting with previous years and to document the development of key performance indicators, we have applied a like-for-like approach where appropriate. This approach takes into account only the data for properties that were owned by the company for the whole of the 2016 reporting year and the previous year. Properties bought or sold during the reporting period are not included. The change in performance indicators therefore relates precisely to the same portfolio and changes are not distorted by additions or disposals.

THE THREE DIMENSIONS OF SUSTAINABILITY

Companies that operate sustainably are characterised by economic, environmental and social future viability. This applies to companies in all sectors of the economy and the property industry in particular. Properties are especially long-lived economic assets and capital goods, in which most of life and work takes place. Their creation is highly resource-intensive, as is their management. Property companies are particularly challenged with bringing harmony to the economic, environmental and social perspectives so that shareholders, tenants, a city and the environment can benefit equally in the long term. In addition to energy efficient buildings and the use of environmentally friendly materials, what count are the locations of the properties, the tenant mix and customer focus. Generating stable cash flows is the basis for maintaining and increasing the value of the portfolio and thereby for long-term business success as well. Furthermore, social sustainability indicators and characteristics at both company and building level play a crucial role in responsible and sustainable management.

Economic sustainability

The economic sustainability of a property company is reflected in the long-term development of the company's performance indicators. However, these largely depend on the long-term economic success of properties. A crucial factor for a reliable dividend policy by a listed property company is the positive development in the fair values of its properties and the generation of sustainable rental income. Furthermore, the financing structure and financing conditions are material factors in economic success, especially for investment-driven and therefore capital-intensive property companies.

Environmental sustainability

Property companies that operate in line with environmental sustainability take ecological criteria into account early in their investment decisions when it comes to buying properties. Throughout a property's entire lifetime, they seek to improve a building's energy efficiency and reduce its water consumption when performing maintenance and modernisation work. Reduced energy consumption helps the environment by reducing greenhouse gas emissions and, like reducing water consumption, minimises operating costs for tenants.

Only property owners that ensure a high efficiency of resources in their properties guarantee the enduring attractiveness of their buildings and thereby their long-term letting at fair prices. Accordingly, figures for the consumption of energy and water play an important part in the assessment of environmental sustainability.

Social sustainability

Social sustainability indicators relate to the reporting company and its employees. Measures taken to promote health, work/life balance and training result in higher employee satisfaction and lower staff turnover. Information on the share of women in a company, the ratio of men's basic salaries to those of women and details of the age structure are central indicators for how a company is pursuing socially sustainable objectives. In addition to company indicators, however, social sustainability also includes the buildings themselves. Rather than figures or descriptions of specific measures, it is certain characteristics of buildings – such as quality of stay, accessibility for the disabled and integration into a city – that classify them as sustainable at building level. Properties used for commercial purposes especially, whether in the middle of a city or on its outskirts, must fit the cityscape so as not to be seen as "foreign bodies", and they have to be easily reached by public transport, for example.

MEASURING SUSTAINABILITY

Measuring and comparing performance indicators for sustainability is a top priority at HAMBORNER for effective management. We measure the achievement of our sustainability goals based on selected key performance indicators. The selection of the key aspects, indicators and figures we report on is described in depth in the section on materiality indicators, from pages 17 of this report. All data relate to the period from 1 January 2016 to 31 December 2016. Measurements are based on the following information:

- / for economic reporting: the IFRS separate financial statements of HAMBORNER REIT AG for the 2016 financial year. The company's annual financial statements as at 31 December 2016 were issued unqualified audit opinions by the auditor Deloitte & Touche Wirtschaftsprüfungsgesellschaft
- / for environmental reporting: the consumption data recorded for 2016
- / for social reporting: the annual financial statements as at 31 December 2016, contractual employment regulations, memberships, and internal and external policies

ABOUT HAMBORNER REIT AG

BUSINESS MODEL

HAMBORNER REIT AG is a listed public limited company that operates exclusively in the property sector and is positioned as a portfolio holder for high-yield commercial properties. HAMBORNER REIT AG's investments concentrate on large-scale retail properties in locations with high footfall, high street properties and high-quality office properties at established office locations. The company has its headquarters in Duisburg. The company is a registered real estate investment trust (REIT) and benefits from corporation and trade tax exemption at company level.

The corporate strategy of HAMBORNER is geared towards value-adding growth through the yield-driven expansion of its commercial property portfolio in the stated property segments, while at the same time maintaining its regional diversification. Through this objective, the company intends to generate high yields and reduce its portfolio risks with the aim of guaranteeing a consistent and attractive dividend distribution in future. Project development by the company itself is not part of its business strategy. It also does not perform services for third parties. HAMBORNER's strategy is to acquire commercial properties throughout Germany and hold them in the long term. It is not currently planning to acquire assets outside Germany.

Focus on office and retail

Locations in or near the centres of cities with relatively high purchasing power play an essential role in our commercial property portfolio. HAMBORNER's stores are essentially high street properties. Within a city, these are found at the places with the highest footfall. Our properties are therefore usually in pedestrianised areas. Retailers here benefit from the shopping experience that draws large numbers of people into shopping centres and the spontaneous purchases that go beyond the weekly shop. The mix of types of use in commercial property is a sign of a sustainable corporate strategy. Large-scale retail properties ensure HAMBORNER a steady cash flow from usually long-term leases, thus forming the basis for stable and ongoing dividend distributions. High street properties and office buildings have good potential for appreciation, and offer increased protection against inflation as their rent is usually fully index-linked.

3 asset classes as a basis
for long-term business success

When it comes to large-scale retail properties, we pay close attention to market and location analysis in the context of investment decisions to ensure that our tenants have a preferred market positioning. Our specialist stores and retail parks are located at busy and exclusive or hard-to-duplicate locations that have ample parking and that can be easily reached by public transport or by car.

The criteria for our office buildings are a modern, high standard of quality and a location in excellently developed commercial and technology parks, in city centres and attractive peripheral areas.

Focus on Germany

In keeping with our focus on selected commercial properties in the retail and office segment, our business activities are also geographically concentrated. HAMBORNER REIT AG's strategic focus is exclusively on Germany. Our concept of sustainability includes focusing on the cities and regions in Germany with good socio-economic conditions such as positive population development and projections, a low unemployment rate and strong purchasing power. These are predominantly cities in the west and southwest of the country.

In terms of the size classes of cities, we feel there are attractive investment opportunities not just in the top five or top seven cities in Germany, but also in the medium-sized cities in particular – where the population exceeds 60,000 for high street properties and large-scale retail property and 100,000 for office buildings. This approach has the advantage that market prices at these locations are subject to less fluctuation and the risk-return profiles of these properties are more lucrative than in the conurbations.

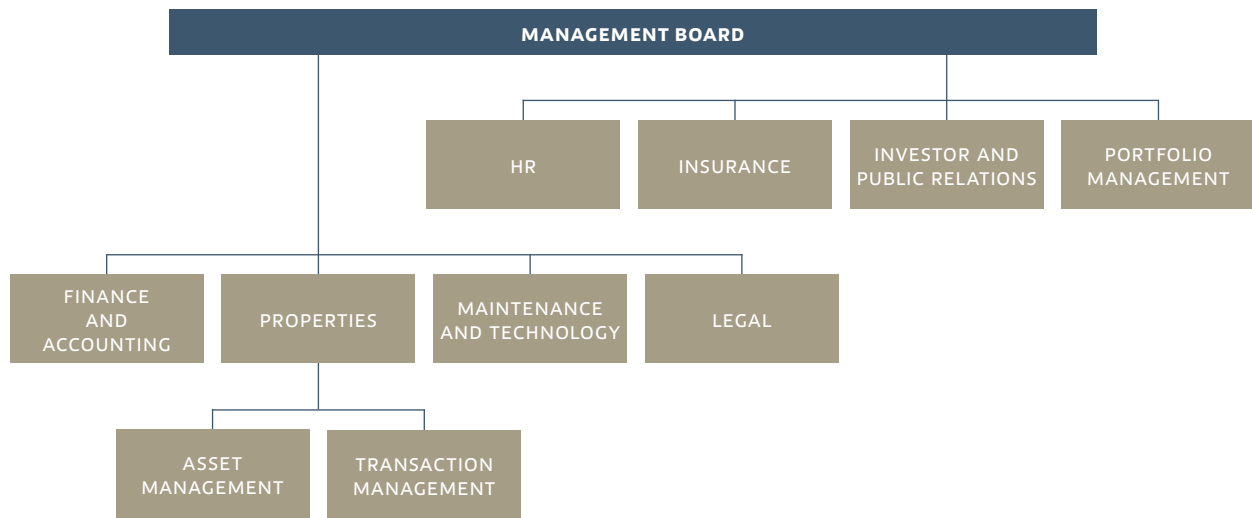
MANAGEMENT APPROACH AND ORGANISATIONAL STRUCTURE

HAMBORNER REIT AG is centrally managed from its headquarters in Duisburg. This is where all strategic decisions are made with the perspective of a long-term property holder. In particular, these include purchase and sale decisions and decisions on portfolio modernisation and investment. In addition to portfolio management, both asset and property management are directed centrally from the Duisburg location. Only infrastructural building services are outsourced to external providers at the respective property location. HAMBORNER does not maintain any branch offices.

Below the level of the two-person Management Board, all decisions relevant to value and earnings are prepared by managers and their employees in the four staff offices and four divisions. In total, HAMBORNER REIT AG employed 32 people as at 31 December 2016, not including the Management Board.

Streamlined and efficient
organisational structure

HAMBORNER governance structure



GOVERNANCE AND OVERSIGHT

HAMBORNER REIT AG is managed by a two-member Management Board. Dr Rüdiger Mrotzek has been a member of the Management Board of HAMBORNER REIT AG since 2007 and is the director of the areas Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction Management, HR, IT / Internet, Risk Management, Controlling and Equity Investments. Hans Richard Schmitz has been a member of the Management Board of HAMBORNER REIT AG since the end of 2008. He is the director for Asset Management, Technology / Maintenance, Legal, Investor Relations / Public Relations, Corporate Governance, Insurance and Corporate Services. Details of the assignment of responsibilities are regulated in the Rules of Procedure for the Management Board.

The Management Board is advised and monitored by a nine-member Supervisory Board to which the Management Board reports in regular Supervisory Board meetings and in ongoing talks. The Supervisory Board also approves the implementation of certain transactions stipulated in the company's Articles of Association and its Rules of Procedure. Furthermore, the Supervisory Board handles the reports of the Management Board on general business development and on financial, investment and personnel planning. The Supervisory Board also monitors the company's compliance with corporate governance and compliance provisions in addition to risk management. Dr Eckart John von Freyend has been the Chairman of the Supervisory Board since 2007. The Supervisory Board has formed an Executive Committee, an Audit Committee and a Nomination Committee.

CORPORATE GOVERNANCE

HAMBORNER REIT AG is a member of the "Initiative Corporate Governance der deutschen Immobilienwirtschaft". The company presents the key elements of its corporate governance structures in its corporate governance declaration. In addition to the declaration of compliance of the Management Board and the Supervisory Board, these include the key governance practices that go beyond the legal requirements, the operating procedures of the Management Board and the Supervisory Board and the composition and operating procedures of their committees.

The corporate governance declaration can be found on our website at <https://www.hamborner.de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung.html>.

A key element of the corporate governance declaration is the declaration of compliance with the German Corporate Governance Code, which must be issued by the Management Board and the Supervisory Board of HAMBORNER REIT AG annually in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). The last declaration of compliance was published in December 2016 and can be accessed on the company's website at the following link: https://www.hamborner.de/fileadmin/user_upload/004_investor_relations/corporate_governance/entsprechenserklaerung/dokumente/de/hamborner_reit_ag_entsprechenserklaerung_dezember_2016.pdf

A detailed description of the structure and function of the Supervisory Board and the Management Board including their duties, activities and remuneration can be found in the corporate governance report, a section of the 2016 annual report (from p. 14 onwards). The annual report can be viewed on the company's website at <https://www.hamborner.de/investor-relations/finanzdaten-finanzberichte/finanzberichte.html>.

RISK MANAGEMENT

To reduce risk, we have always tailored our business policy to avoid business areas with particularly high risk potential. In order to restrict risk, we have implemented a risk management system for the timely identification and handling of risks that could be of significance to the economic position of the company. It complies with the legal specifications and is subject to regular internal and external review. It is adjusted or added to appropriately in line with changing economic conditions. The early risk detection system is examined by the auditor as part of the audit of the annual financial statements. The company's internal risk management system is closely integrated into operational procedures – particularly the planning and controlling processes. It comprises several stages and is described in more detail in a company policy. The potential risks are divided into external and internal risk areas. In turn, the possible characteristics of the individual risk areas are assessed in terms of their risk impact (e.g. loss of assets, decreased income, higher expenses), their estimated probability, a possible threat to the company as a going concern, possible counterstrategies, leading indicators in place and options for obtaining information. Quarterly internal risk reporting focuses on selected material risks and those that pose a threat to the company as a going concern. Here we take into account general economic risks, market risks, rental risks, risks arising from the economic and environmental quality of properties, rent default risks, interest rate risks, legal risks and risks of employee turnover.

Reporting, streamlined organisational structures and transparent decision-making channels ensure that the Management Board is directly included in all risk-relevant transactions.

MANAGEMENT SYSTEM

The company's management system is geared towards contributing to the achievement of its goals. It extends from standardised investment analyses for individual properties to integrated budget and medium-term planning at company level (earnings, assets and cash flow planning). Monthly controlling reports provide a timely indication of any deviations from planning; corresponding variance analyses are used to devise alternative courses of action. Our governance at company level is based on the performance indicators calculated using IFRS figures for funds from operations (FFO) and net asset value (NAV) per share. In particular, key operating value drivers and factors influencing development of FFO include rental income, the vacancy rate, personnel expenses, maintenance and interest expenses. Improvements in efficiency due to growth are expressed by the operating cost ratio, i.e. the ratio of administrative and personnel expenses to rental income. The like-for-like development in the value of the portfolio significantly influences NAV as a performance indicator. The remuneration of the Management Board is closely linked to the development of the central performance indicators FFO and NAV per share.

SUSTAINABILITY APPROACH

SUSTAINABILITY STRATEGY

HAMBORNER has positioned itself as a long-term asset manager of commercial properties and had property assets of around €1.1 billion under management at the end of 2016. Not least on account of our long-term planning and investment horizon, responsible and sustainable corporate governance is a core element of our business. Long-term corporate success can be ensured only if, in addition to economic aspects, ecological and social aspects are also implemented in corporate strategy and all business processes.

At HAMBORNER, aspects relevant to sustainability play a key role not just internally, but within the entire value chain as well. We carefully select our business partners and review them with regard to sustainability aspects and compliance with legal provisions and environmental, safety and social standards.

Close ties and intensive dialogues with our stakeholders (shareholders, tenants, business partners, authorities and employees) form an important basis for our business decisions. Regular active communication makes it possible to take the individual needs of different stakeholders into account, and to identify short- and long-term trends and thereby to adjust corporate and sustainability strategy accordingly.

The focus of our business activities is on the continuous expansion and optimisation of our property portfolio. A key part of portfolio management is regularly reviewing our existing properties in line with aspects relevant to sustainability in order to identify optimisation opportunities. Targeted renovation and modernisation work contribute towards sustainably increasing properties' attractiveness and the stability of their value. Reviewing sustainability criteria is also a regular part of the process of acquiring new properties.

Our sustainability strategy is formulated and evolved at the top level of management under the direct responsibility of the Management Board. The issues relevant to sustainability and the related processes implemented in the individual divisions and staff offices. The Management Board pursues the goal of permanently anchoring and gradually optimising the sustainability approach in corporate strategy.

ETHICS AND INTEGRITY

As a listed company, HAMBORNER is in the special public interest and manages the equity invested its shareholders. The company's reputation and the trust of its shareholders, employees, business partners, politicians and the public are the essential basis for sustainable economic, environmental and social success. Upholding the principles of ethics and integrity is therefore at the heart of the work of HAMBORNER's Management Board and employees.

The Management Board and the Supervisory Board of HAMBORNER are committed to compliance with the principles of proper and fair business management of the "Initiative Corporate Governance der Deutschen Immobilienwirtschaft". However, compliance is a priority not just at the level of top management, but also in all divisions of the company and business processes.

HAMBORNER REIT AG has written its own compliance policy that applies to all employees. It formulates general principles of conduct and is intended to protect employees against legal violations, conflicts of interest and breaches of contractual obligations to protect the company from reputational damage and financial losses. The compliance policy is regularly reviewed with regard to any changes in relevant legislation and updated if necessary.

SUSTAINABILITY IN THE SUPPLY CHAIN

As a property company, we cannot provide all services and activities of our day-to-day operations ourselves, and are dependent on our cooperation with other companies and suppliers. We follow the principle of awarding contracts for goods and services transparently, and only after comparing the services of a number of providers.

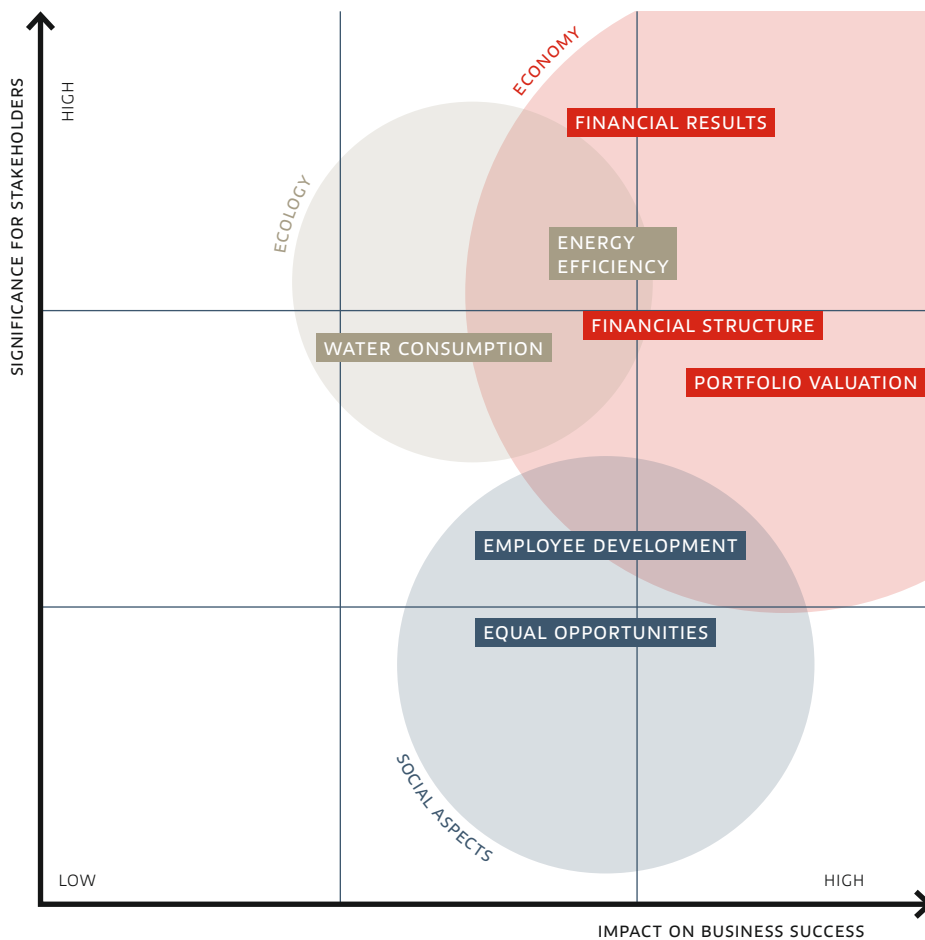
Where possible and appropriate, we commission SMEs from the regions where our properties are located. The awarding of contracts requires that our suppliers comply with all legal regulations on issues such as occupational health and safety, working hours and the minimum wage. Furthermore, when making selections we ensure that our contractors use environmentally friendly products and processes as far as economically and technically feasible. Supplier relationships mainly exist at the following stages of the value chain:

Value chain	Suppliers
Acquisitions	Consultants, project developers, civil engineers, surveyors, estate agents, lawyers, tax consultants
Rental and tenant improvements	Estate agents, architects, engineers, construction companies, businesses in the skilled trades
Building operations	Facility managers, caretaker services, utilities, businesses in the skilled trades, centre managers
Renovation and modernisation	Architects, engineers, construction companies, businesses in the skilled trades

MATERIALITY INDICATORS

The Management Board and employees of HAMBORNER held discussions with a number of internal and external stakeholders over the reporting year. Based on the expectations and needs of our stakeholders and the results of an ongoing analysis of other challenges and risks relevant to us, we have created a materiality matrix. This contains the economic, environmental and social aspects that are important for both the success of HAMBORNER and for our stakeholders.

MATERIALITY MATRIX



The materiality matrix illustrates the significance of the individual parameters for our stakeholders and their influence on HAMBORNER's business success. At the same time, the matrix reflects the relationship between individual dimensions of sustainability. What is special about the economic dimension is its close interweaving with environmental aspects. Operating costs, for example, are a place where economy and the environment meet. A building with high energy efficiency has low operating costs, which can mean substantial savings for heating, cooling, electricity and water consumption. The resulting lower operating costs facilitate the letting of properties, and thus ultimately contribute to a positive trend in the buildings' value.

From the materiality matrix, we derived materiality parameters for sustainability reporting in accordance with the GRI G4 standard.

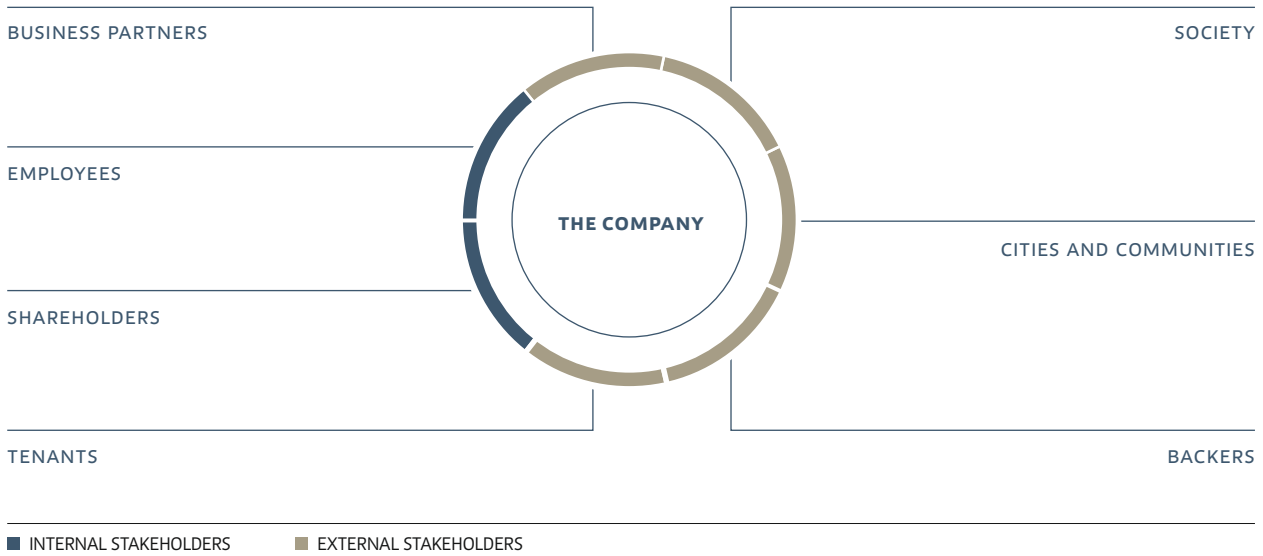
MATERIALITY PARAMETERS

Category	Parameter	Material aspects	Indicators	
Economic	Quantitative growth of property portfolio including portfolio adjustment for non-strategic properties	Increasing net asset value	Development of fair value, financial liabilities and NAV	
	Generation of sustainable results for dividend distribution and reinvestment	Increasing rental income and FFO, reducing vacancies	Development of FFO and dividend per share	
	Increase in enterprise value	Increasing NAV through acquisitions of new properties and value performance	Change in NAV Development of market capitalisation	
	Solid, long-term financial structure with balanced remaining terms and loans with standard market interest rates	Stable REIT equity ratio, appropriate loan-to-value ratio (LTV)	Development of REIT equity ratio and LTV	
Environmental	Qualitative growth through acquisition of new building projects with sustainability certification and energy modernisation of existing properties	Increasing energy efficiency of buildings, and reducing operating costs	Development of heating consumption Development of electricity consumption Development of water consumption	
		Growth in headcount	Offering secure employment and adjusting the organisation to business growth	Development in number of employees Employee turnover
		Employee training and equal opportunities	Safeguarding the necessary staff competencies and contributing to equal opportunities in employment	Development in number of training days Development in percentage of women in leading positions

STAKEHOLDERS

DIVERSE DEMANDS FROM DIFFERENT INTEREST GROUPS REQUIRE A PRONOUNCED SENSE OF RESPONSIBILITY

Stakeholders



An economically, environmentally and socially sustainable business policy means striking the right balance in the expectations and needs of a wide range of stakeholders. Without this balance, positive corporate development geared towards sustainability in the interests of all stakeholders would not be possible.

Identification and consideration of the needs of all stakeholders

The composition of our stakeholders arises directly from our activities as a company. Our tenants, business partners, not to mention society in general and the towns and communities in which our properties are located, expect to have their different needs taken into consideration. Above and beyond this, HAMBORNER is at the service of its shareholders and is responsible for its employees, who form the basis for successful corporate development. Regular discussion with all stakeholders is a key part of our corporate culture. Thanks to a constant dialogue, we are able to identify the demands and expectations of individual stakeholder groups and incorporate them into our business strategy.

INTERNAL STAKEHOLDERS

Shareholders

Our shareholders expect a reliable and transparent reporting and regular dialogue with management.

Active, continuous and transparent and dependable communication with shareholders is a matter of high importance at HAMBORNER. In our investor relations activities we therefore regularly report on strategy, current business developments and our company's prospects

for the future. Our goal is to give shareholders a transparent impression of our company, enable a fair company valuation and shore up confidence in the company.

Direct contact with our shareholders is particularly important to us. In addition to regular reporting in annual and interim reports and in press releases on current issues, we report on our company's development in a number of one-on-one talks and telephone calls. We also talk with private and institutional investors at roadshows, capital market and investor conferences in Germany and abroad and on property tours. Both the Investor Relations department and HAMBORNER's Management Board are happy to take and answer shareholders' questions.

Our shareholders are regularly supplied with the latest information not just in personal discussions but also on the Internet. HAMBORNER can also be contacted directly on its website, an option used by many shareholders to share information.

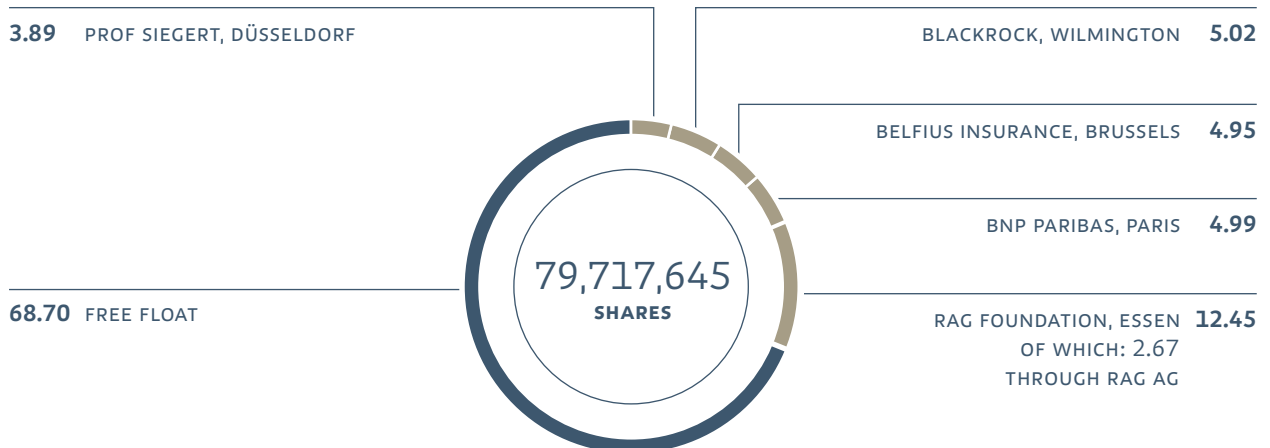
Employees

Employees expect their employer to treat them fairly, offer training and professional development opportunities, ensure equal opportunities, good working conditions and fair pay.

In our offices in Duisburg we offer them an attractive, motivating and modern working environment. Equal opportunities, advancement through training and taking into account individual requirements – for example by offering flexible working hours – count among HAMBORNER's core values. Diversity is another area of concern and – where possible – we deliberately ensure a balanced ratio of male and female, experienced and younger employees.

Shareholders

[in %]



EXTERNAL STAKEHOLDERS

Tenants

Tenants expect us to ensure that the properties they use are in perfect condition, and to make fast, reliable decisions in the context of asset and property management.

In our interactions with our tenants, it is important to us to build up long-term relationships and to be a reliable contact at all phases of the lease. A trusting cooperation is the only way to understand the needs of tenants and to quickly devise individual solutions to problems. Our asset and property management and the Technology and Maintenance division are therefore engaged in a continuous dialogue with our tenants.

The public, society and politics

Companies are part of society and have to face their challenges with responsibility. Companies are expected to abide fairly by social norms, to get involved in the political discussion and to respect rights and the law. Property companies in particular are expected to proactively contribute to the quality of urban life in cooperation with local councils and administrations.

Wherever possible, we engage smaller and medium-sized companies and firms from the catchment area of our properties to perform modernisation and maintenance work in order to bolster the local economy. We see our responsibility to the public and to cities and communities in the ideal urban integration of our properties into their surroundings. When conducting redevelopment work we therefore strive to maintain and protect historical buildings and façades with the aim of preserving a uniform cityscape and ensuring the attractiveness of inner cities in the long term. For HAMBORNER, social responsibility also means being a member of organisations and interest groups. In the German Central Real Estate Committee (ZIA), the European Public Real Estate Association (EPRA) and the "Initiative Corporate Governance der deutschen Immobilienwirtschaft", we lend the property sector greater weight on issues such as sustainability and corporate governance.

Business partners and banks

Backers, suppliers and contractors expect clear and fair business relationships, adherence to orders and contracts and the payment of receivables on time.

In terms of financing, we have been working trustingly with major banks, cooperative banks, savings banks and insurance companies for years. We have clear and fair work and service contracts with our suppliers. We also maintain long-term and cooperative business relationships with construction and businesses in the skilled trades in addition to our facility management service providers. We take it for granted that we always settle our payment obligations on time.

ECONOMIC SUSTAINABILITY

MATERIAL ASPECTS

The basis for economically sustainable governance is an overview of a variety of economic criteria and performance indicators. A low vacancy rate, appropriate investment in repairs and modernisation work, a positive trend in the value of the property portfolio, sustainable cash flows and a dependable dividend policy are at the heart of HAMBORNER's business activities. We endeavour to meet the requirements of our shareholders, tenants, employees and partners, and those of the social setting. Given our status as a REIT company, we are required to distribute most of our profits – 90% of net income for the year as calculated according to the German Commercial Code – to our shareholders. Nevertheless, our dividend policy is characterised by the fact that we have not reduced our distributions in more than 25 years and have even instead continuously increased them.

In accordance with the GRI G4 standard we have chosen, our sustainability reporting and our activities in the economic area are focused on the ongoing development in the value of our portfolio, a solid financial structure and the optimisation of the company's financial performance indicators.

PORTFOLIO DEVELOPMENT

Our corporate strategy is geared towards value-adding growth through the yield-driven expansion of our commercial property portfolio. On the basis of this strategy, we invested €179.7 million in 2016 and acquired five properties in Lübeck, Ditzingen, Mannheim, Münster and Dortmund. Aspects relevant to sustainability were taken into account even more in investment decisions and acquisition processes. All the properties acquired are in perfect technical condition and satisfy the very latest energy standards. The buildings have very low vacancies and the rental space has been leased to well-known companies of good credit standing on long-term leases.

Active and efficient portfolio management takes more than just the yield-driven expansion of our property portfolio – it also demands the regular review of our existing properties with regard to their consistency with strategy, their risk-return profile and the sustainability of rental income and cash flows. In 2016, we identified and sold five properties that no longer fit into our strategy on account of their size, location, management intensity, or letting situation. The sale prices amounted to €11.7 million in total and were higher than the fair values of the five properties overall.

Our entire property portfolio was again valued by a third-party expert, Jones Lang LaSalle GmbH, as at the end of 2016. This determined the market values of all properties already in the portfolio and those recently acquired. It found that the total value of our property portfolio has increased by €215.2 million to €1,115.0 million. The rise is due in particular to the increase of €36.5 million in the value of the like-for-like portfolio, fair value disposals of €11.6 million and fair value additions of €190.3 million. It is particularly interesting that the fair value of the properties acquired in 2016 was already around €10 million higher than the purchase prices by the end of the year.

Fair value of the property portfolio as at 31 December 2016

around € 1.1 billion

The Management Board and the Supervisory Board of HAMBORNER REIT AG resolved a capital increase against cash contributions in September 2016. All 17.7 million new shares were placed on the market, generating gross issue proceeds of €166.5 million. This increased the company's scope for acquisitions by around €320 million and created the basis for further value-adding growth.

Placement of around

17.7 million

new shares in September 2016

In addition to the targeted expansion of its property portfolio, HAMBORNER is continuously investing in its existing portfolio to maintain its high quality standards in the long term and to keep pace with its tenants' growing needs. We invested around €4.6 million in total in the modernisation and maintenance of our buildings in the 2016 financial year. During the course of the year, several of our portfolio properties were modernised in line with the latest energy standards to ensure the continued rental potential of the buildings in the long term.

FINANCIAL STRUCTURE AND FINANCIAL RESULTS

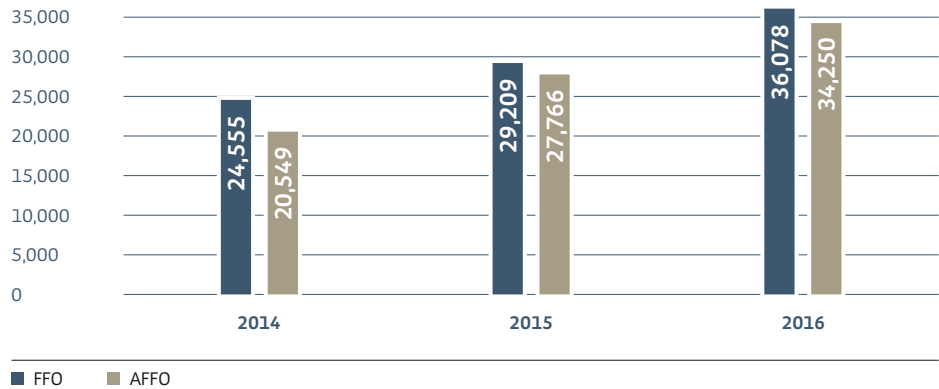
In our communications with stakeholders, we look at performance indicators that express information in compressed form and that are clearly defined. All the key figures are derived from the income statement and balance sheet of HAMBORNER REIT AG. In addition to the investments in new properties in the past year, our business figures also reflect our growth in 2016. Alongside the figures for the past year, the development of the last three years is also shown below to document the long-term stability and profitability of the company. For the purposes of the G4 standard we have defined funds from operations and net asset value as our material key performance indicators.

Funds from operations (FFO)

FFO is our company's most important control parameter. As an indicator of the sustainable performance of the company, this figure shows how much of the funds generated are available for investments, repayments and dividend distributions to shareholders in particular. A positive development in FFO is the basis for ensuring sustainable distributions. FFO consists of net rental income, interest income and other operating income less all costs for staff, administration, interest and other expenses. HAMBORNER calculates its FFO conservatively without including income from disposals. FFO in 2016 amounted to around €36.1 million and was therefore 23.5% higher than the FFO for 2015 (around €29.2 million). FFO climbed by around 47% as against 2014. In addition to FFO, we also report adjusted funds from operations (AFFO) by adjusting for maintenance and modernisation expenses capitalised (capex) and not recognised as an expense in the reporting year. This amounted to €34.3 million in 2016 after €27.8 million in the previous year and €20.5 million in 2013.

FFO development 2014 – 2016

[FFO/AFFO in € thou.]



Continuous increase in NAV
to around

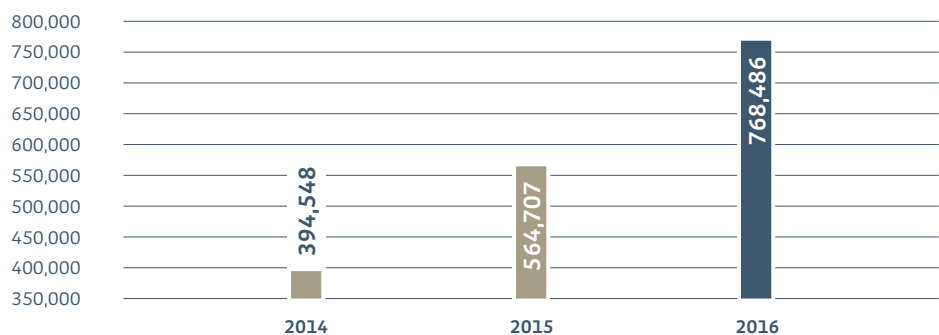
€ **786.5** million

Net asset value (NAV)

Net asset value (NAV) is an important economic indicator for value-oriented management and therefore a key performance indicator for us. It reflects the asset strength of the company. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital. HAMBORNER's NAV was €786.5 million as at the end of 2016, and was therefore around 36% higher than in the previous year. HAMBORNER's corporate strategy is to increase its NAV through value-adding measures. However, in addition to internal options for influencing NAV, it is also subject to external factors. For example, NAV is dependent on developments on the property market due to changes in market values.

NAV development 2014 – 2016

[NAV in € thou.]



REIT equity ratio

The REIT equity ratio is the key performance indicator for the sustainable development of HAMBORNER's capital structure, and not least because of the minimum capital requirements of the German REIT Act. The REIT equity ratio expresses the ratio of equity on a fair value basis (the total of its reported equity and hidden reserves) to the market value of immovable assets, i.e. essentially the fair value of the property portfolio.

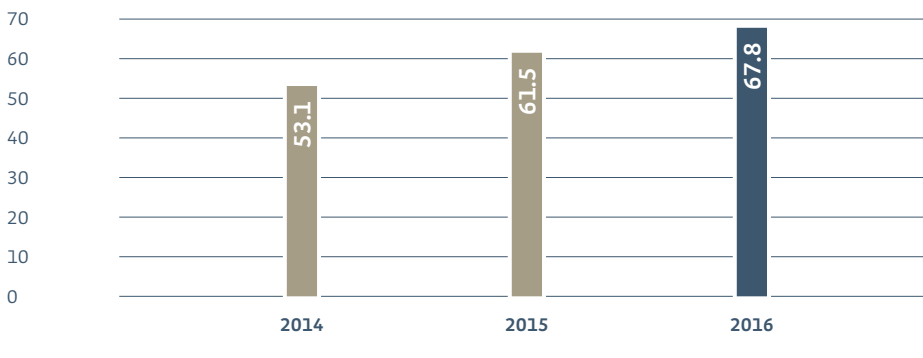
The REIT Act stipulates that the company must maintain a minimum equity ratio of 45%. Capital management at HAMBORNER is geared towards preserving its REIT status in the long term. The company is constantly monitoring the development of its equity base, and strives to maintain a REIT equity ratio above the legally required minimum at around 50%, thereby safeguarding its REIT status in the long term. At 67.7%, the ratio was well above the legally required minimum value as at 31 December 2016. The ratio was 61.5% at the end of the 2015 financial year and 53.1% at the end of 2014.

The REIT equity ratio is to be kept at around

50%

REIT equity ratio 2014 – 2016

[REIT equity ratio in %]



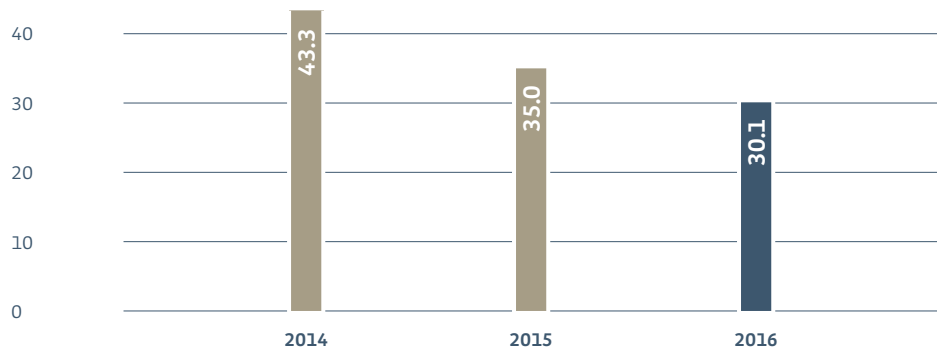
Loan-to-value (LTV)

In addition to the REIT equity ratio, loan-to-value (LTV) is another key ratio for managing the capital structure. It describes the financial liabilities of the company (less cash and cash equivalents) in relation to the fair value of the property portfolio. An appropriate LTV is an important requirement for the stability of the company. The lower the value, the lower the level of debt and thus the company's interest expenses as well.

Comparing net financial liabilities to portfolio fair value, the company has a loan-to-value ratio of 30.1% as at 31 December 2016 (2015: 35.1%; 2014: 43.3%). LTV will remain at a low level below 50 % not least on account of the minimum capital requirements of the German REIT Act.

LTV development 2014 – 2016

[LTV in %]



Income from rents and leases, vacancy rate

In addition to the development of the asset and capital structure, the company's income situation also plays an important role for us and our stakeholders. In the materiality analysis, we identified income from rents and leases and the vacancy rate as key indicators for assessing the result of operations.

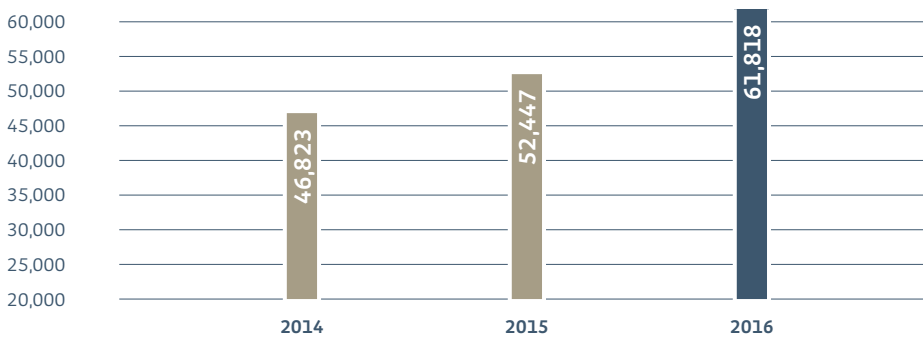
HAMBORNER's income from rents and leases amounted to €61.8 million in 2016, an increase of €9.4 million or 17.9% compared to 2015 as a result of new investment in particular. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout both 2015 and 2016 – net rents amounted to €47.1 million in total, €0.8 million or 1.8% higher year-on-year. As expected, uncollectable receivables and individual value adjustments were at a very low level in the reporting year at around €79 thousand (previous year: €20 thousand).

The vacancy rate including agreed rent guarantees was 1.3%, and therefore below the already very low level for 2015 (1.9%). Not including rent guarantees, the vacancy rate was 1.6% (2015: 2.1%). HAMBORNER's vacancy rate has been at a consistently low level for years, illustrating the quality of our properties and the efficiency of our assetmanagement.

1.3%
vacancy rate
as at 31 December 2016

Steady rise: Development in rent / lease income 2014 – 2016

[Income in € thou.]



SELECTED ECONOMIC PERFORMANCE INDICATORS

€ thousand	2016	2015	2014
FROM THE INCOME STATEMENT			
Income from rents and leases	61,818	52,447	46,823
Net rental income	56,008	47,455	42,858
Operating result	27,655	23,634	19,893
Financial result	-14,309	-13,293	-13,472
EBITDA	54,462	45,936	48,422
EBDA	40,153	32,643	34,950
EBIT	31,730	27,068	30,581
Funds from operations (FFO)	36,078	29,209	24,555
Net profit for the year	17,421	13,775	17,109
FROM THE STATEMENT OF FINANCIAL POSITION			
Total assets	1,006,760	786,644	621,303
Non-current assets	922,819	752,046	607,779
Equity	561,311	406,074	270,195
Equity ratio in %	55.8	51.6	43.5
REIT equity ratio in %	67.8	61.5	53.1
Loan-to-value (LTV) in %	30.1	35.0	43.3
ON HAMBORNER SHARES			
Number of shares outstanding	79,717,645	62,002,613	45,493,333
Basic = diluted earnings per share in €	0.26	0.25	0.38
Funds from operations (FFO) per share in €	0.45	0.47	0.54
Stock price per share in € (Xetra)			
Highest share price	10.76	11.41	8.29
Lowest share price	8.36	8.20	7.34
Year-end share price	9.04	9.61	8.12
Dividend per share in €	0.43	0.42	0.40
Dividend yield in relation to the year-end share price in %	4.8	4.4	4.9
Price / FFO ratio	20.0	20.4	15.0
Market capitalisation	720,648	595,845	369,406
OTHER DATA			
Fair value of property portfolio	1,115,010	899,816	717,490
Net asset value (NAV)	768,486	564,707	394,548
NAV per share in €	9.64	9.11	8.67
Number of employees excluding management board	32	31	29

ENVIRONMENTAL SUSTAINABILITY

MATERIAL ASPECTS

As a long-term asset manager, operating our properties efficiently and with low environmental impact is a key goal of our business activities. The consumption of energy for heating, electricity and water are highly relevant both in terms of environmental protection and of optimising operating costs. By our understanding of sustainability and within the context of reporting according to the G4 standard, these three consumption indicators qualify as material for environmentally sustainable governance.

ANALYSIS PORTFOLIO

In order to continuously monitor the environmental impact of the use of our buildings, we have analysed the data for energy and water consumption for the years 2012 to 2016. The overwhelming majority of our tenants once again provided us with their consumption data for the 2016 reporting year. The database has therefore grown again. Of particular interest are the in some cases significantly larger analysis portfolios for like-for-like reporting.

No. of properties	2016	2015	2014
As at 31 Dec.	69	69	68
Heating energy consumption analysis			
Properties with usable data for the reporting year	55	58	53
Properties with usable data for two years	51	47	45
Electricity consumption analysis			
Properties with usable data for the reporting year	60	58	55
Properties with usable data for two years	49	41	47
Water consumption analysis			
Properties with usable data for the reporting year	58	61	61
Properties with usable data for two years	54	51	50

Despite the larger analysis portfolio, the current data collection is still not complete. We will work on further expanding the analysis portfolio in the years ahead and on convincing more tenants to cooperate on data collection.

HEATING ENERGY CONSUMPTION IN 2016

Heating energy consumption of the corresponding analysis portfolio of 55 properties amounted to 23,382,482 kWh in 2016. With a total usable area in the portfolio of around 375,000 m² (around 78% of the HAMBORNER portfolio), average consumption amounts to 62.3 kWh per m².

Average consumption in kWh per m ² of usable floor area	Portfolio	Office	Commercial
2015: 58 properties, 367,626 m ² of usable floor area	57.7	53.5	59.3
2016: 55 properties, 375,220 m ² of usable floor area	62.3	60.1	63.2

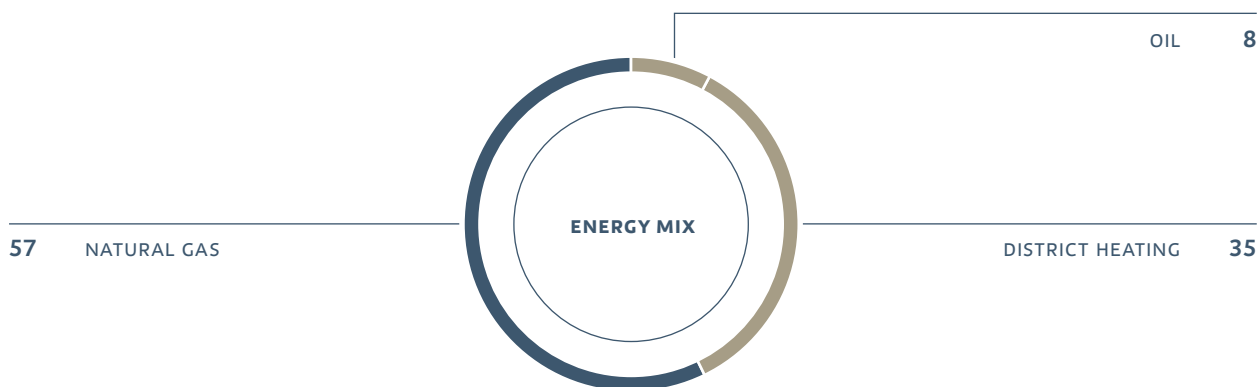
Year-on-year comparison of heating energy consumption

The like-for-like analysis portfolio for heating energy consumption in 2015 and 2016 grew by four properties overall to a total of 51. The 37 retail/commercial and 14 office properties account for around three quarters of the properties in our portfolio as a whole in 2016, and have a total usable area of 347,786 m². The analysis included consumption data for buildings heated by gas, district heating, or oil. Gas and district heating are the dominant types of heating in this sub-portfolio with respective shares of around 57% and 35%. In total, the 51 properties used 21,363,717 kWh for heating in 2016. The figure for 2015 had been 21,650,808 kWh, and is therefore 1.3% lower.

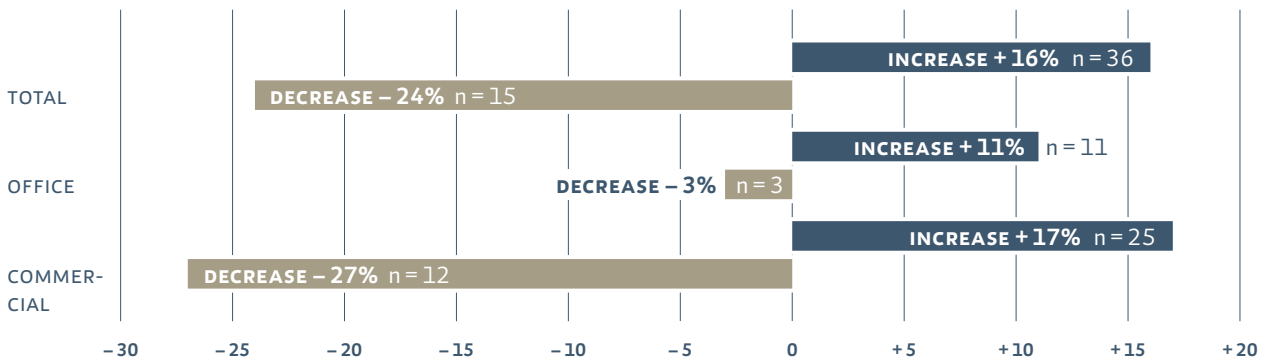
Heating energy consumption by energy source

Energy mix

[in %]



Heating consumption: Average increase/ decrease (median)



n = NUMBER OF PROPERTIES AFFECTED

ELECTRICITY CONSUMPTION IN 2016

The sub-portfolio for the analysis of electricity consumption in 2016 consists of 60 properties, two more than in 2015. In terms of total usable space, the sub-portfolio analysed has increased by as much as around 65,000 m² to a total of 437,038 m².

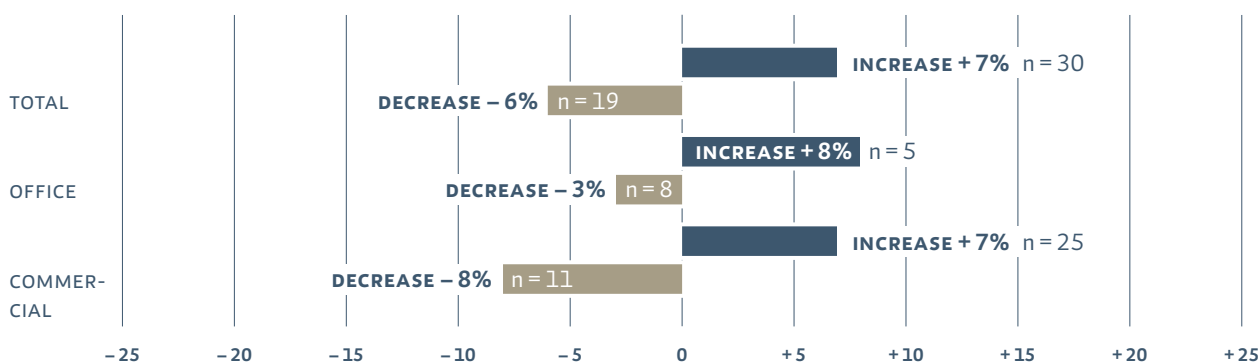
Shared and tenant electricity consumption of 31,323,665 kWh was registered in 2016. In the previous year, 2015, the figure was 21,443,817 kWh. The increase is due firstly to the significantly larger analysis portfolio for 2016 and secondly to the more comprehensive database at the level of individual properties. In addition to the electricity for common areas, consumption data for individual tenants was also made available for a number of properties, which meant a relatively high increase in recorded electricity consumption in the 2016 reporting year. However, it is not appropriate to state an average value for the entire sub-portfolio here as there is still only data on general electricity consumption for some of the properties, and general electricity consumption cannot be shown relative to the total usable floor area of the sub-portfolio. We are still pursuing the goal of expanding data collection to consumption at portfolio and individual property level, and of acquiring additional data on electricity usage by our tenants.

Converted into CO₂ emissions, the total electricity consumption of the current sub-portfolio of 31,323,665 kWh corresponds to 16,602 tonnes of CO₂ in 2016. In the previous year the properties analysed recorded CO₂ emissions of 11,365 tonnes for 2015. In converting our electricity consumption data, we use the CO₂ conversion factor published by the German Federal Environment Agency for the Germany electricity mix of 0.53 kg per kWh (value for 2015 and 2016).

Year-on-year comparison of electricity consumption

Of the 60 properties, there are usable data for 49 for the 2015 and 2016 reporting year. The like-for-like portfolio grew by eight properties compared to the previous year. The total usable space of the sub-portfolio was increased by around 90,000 m² to a total of 331,470 m². This now corresponds to 69% of the total usable area of the HAMBORNER portfolio. The analysis includes properties for which there are data on shared electricity only and properties for which tenants reported their total electricity consumption. The total electricity consumption recorded in the 49 buildings amounted to 20,952,241 kWh in 2016. Total consumption of 20,494,998 kWh was registered for the same sub-portfolio in the previous year of 2015. Electricity consumption was therefore up by 2.2% year-on-year. However, developments differed for the asset classes commercial and office. While electricity consumption in the 36 commercial properties analysed increased by 2.9%, consumption in the 13 office buildings was down by 2.4%.

Electricity consumption: Average increase / decrease (median)



n = NUMBER OF PROPERTIES AFFECTED

WATER CONSUMPTION IN 2016

The sub-portfolio for the analysis of water consumption in 2016 comprised 58 properties and was therefore smaller than in the previous year by three properties. Nevertheless, the total usable space of the sub-portfolio analysed was up by around 39,000 m² at 420,501 m². In particular, this is due to the first-time inclusion of the properties acquired in 2016, among them the large-scale retail properties in Lübeck, Mannheim and Ditzingen.

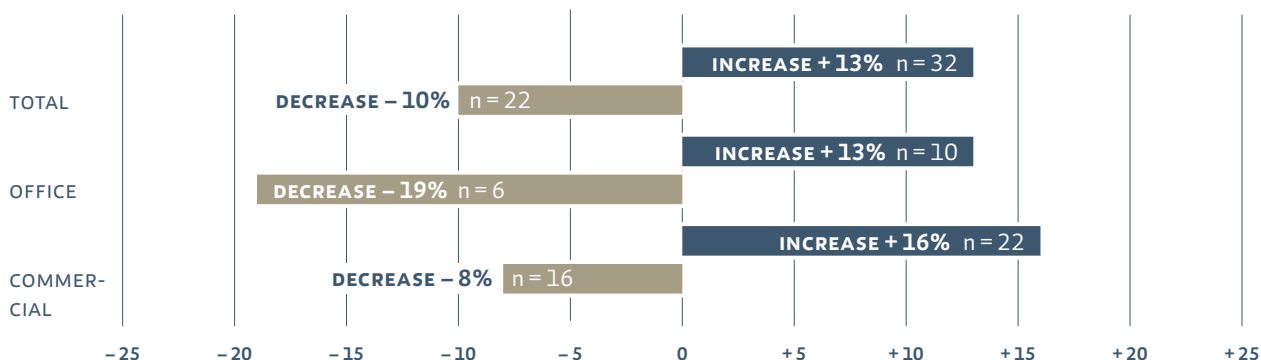
The water consumption by the 58 properties analysed amounted to 114,338 m³ in 2016. Based on the total usable area, average consumption was 0.27 m³/m². Compared to 2015, water consumption climbed by a total of 5.3% (2015: 0.26 m³/m²). While the commercial properties analysed reported a slight increase in average water consumption of 2.8%, average consumption in the office properties analysed rose by 9.6%. Among other things, the increase is due to the reduction in vacancies referred to above in the Bremen, Osnabrück and Leverkusen properties.

Average consumption in m ³ / m ² of usable floor area	Portfolio	Office	Commercial
2016: 58 properties, usable area of 420,501 m ²	0.27	0.23	0.29
2015: 61 properties, usable area of 381,448 m ²	0.26	0.21	0.28

Year-on-year comparison of water consumption

Water consumption data for the like-for-like comparison of 2015 and 2016 was available for a total of 54 properties (previous year: 51 properties). In terms of both the number of properties and usable space, the properties account for more than three quarters of the total HAMBORNER portfolio. Total water consumption in 2016 amounted to 100,710 m³ in the 16 office and 38 commercial properties. Water consumption for the same sub-portfolio was 95,593 m³ in 2015. This marks an increase of 5.4% as against the previous year. Expressed as a percentage, the increase was approximately the same for both office and commercial properties.

Water consumption: Average increase / decrease (median)



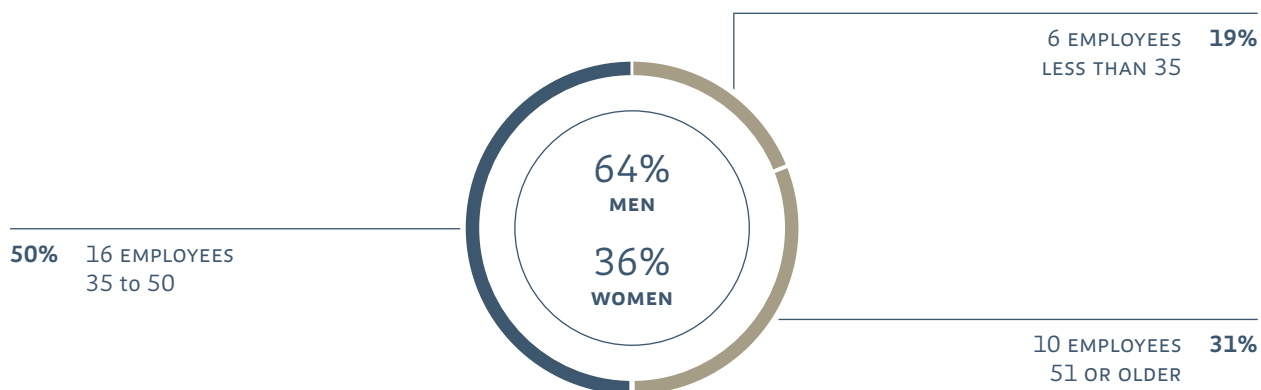
n = NUMBER OF PROPERTIES AFFECTED

Consumption of resources in 2016 reporting year (compared to 2015, like-for-like)

Building energy consumption	2016	2015
Heating energy consumption		
Number of buildings analysed	51	51
Total kWh	21,363,717	21,650,808
Electricity consumption		
Number of buildings analysed	49	49
Total kWh	20,952,241	20,494,998
Water consumption		
Number of buildings analysed	54	54
Total m ³	100,710	95,593

SOCIAL SUSTAINABILITY

Age structure



The total number of HAMBORNER employees as at 31 December 2016 was 32.

MATERIAL ASPECTS

As an office and retail property portfolio holder and a listed company, HAMBORNER shoulders a great deal of responsibility towards its shareholders, tenants and business partners. It is highly important to us to maintain a positive and trusting relationship with our stakeholders, to listen to their individual requirements and to devise as tailored solutions as possible. We feel a sense of responsibility – for our staff as an employer, for the social and urban surroundings of our properties as a property company and for establishing issues such as sustainability and corporate governance as a member of various organisations and initiatives.

In our materiality analysis we identified two parameters that we focus on when reporting on social sustainability. The first of these is equal opportunities for our employees, the second is continuing professional development.

EQUAL OPPORTUNITIES

HAMBORNER REIT AG is a growth-oriented company that, in addition to the Management Board, had 32 employees in total as at the end of 2016. All employees worked full-time in 2016. The staff breaks down as 36% female and 64% male.

HAMBORNER is striving for the appropriate inclusion of women in appointments to Supervisory Board and management positions. We have already taken the relevance of this issue into account in the past, and in 2015 it was established in law by the German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sector. In March 2015, the Supervisory Board therefore set a target of 30% for the gender quota for the composition of the Management Board and the Supervisory Board. The Supervisory Board currently consists of nine members in total, three of whom

are women, and thus it already meets the target defined for the Supervisory Board in full. The Management Board has also addressed the stipulations of the law on the non-discriminatory participation of women and men in management positions and has set a gender quota target of 20% each for the two management levels below the Management Board, though this had not been met as at the end of 2016. Achievement of this target must be seen in the context of staffing requirements in terms of the new vacancies to be filled.

In terms of employee remuneration, different basic salaries have been agreed with employees based on their respective job profiles. No distinction is made between the sexes or on the basis of age or race.

HAMBORNER's corporate policy creates the preconditions to allow a work / life balance. By offering flexible working hours with half-days or reducing weekly hours on a transitional basis, we give our staff the chance to combine their professional and family wishes. We also value a balanced age structure. At the end of 2016, 50% of our employees were in the 35 to 50 age range, 31% of employees were 51 or older and 19% of the workforce was younger than 35.

EMPLOYEE DEVELOPMENT

The basis for the future business success of HAMBORNER is a dependable, motivated and competent workforce that helps the company to achieve its goals and enables its future positive development. It is important to us that all employees are supported and trained in line with their individual ideas and their respective professional requirements. In 2016, our employees participated in an average of 10.3 hours of external training. Average training hours have therefore virtually doubled since 2015 (5.2 hours).

Training per employee
doubled to

10.3 hours

Employees' individual needs are determined and discussed at works meetings and in meetings between the Works Council and the Management Board. We also take into account their requests in individual goal and salary negotiations.

In addition to these two material aspects, the safety and pensions of our employees are a key concern to us. In 2016, there was therefore another site inspection with our safety officer. We also regularly take part in the meeting of the Work Health and Safety Committee and provide our employees with training on this subject. Our employees receive annual training and certification for various work safety issues and have the opportunity to consult a works doctor.

In addition to statutory accident insurance, we have taken out group accident insurance for employees who travel on business. Moreover, we pay savings schemes and anniversary bonuses.

As for pensions, many of our employees have taken out direct insurance or pay into a pension fund in addition to their statutory scheme. Total social benefits granted in 2016 amount to €25,807, an increase of around €6,264 compared to 2015.

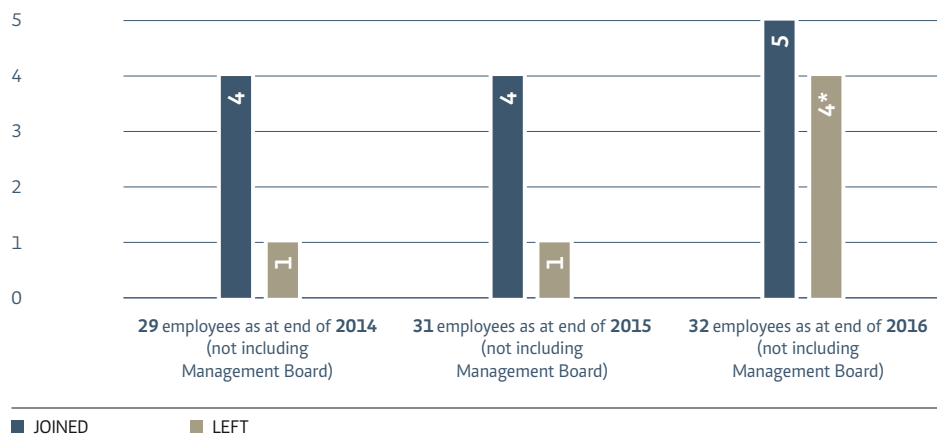
EMPLOYEE TURNOVER

The employee turnover at HAMBORNER is at a consistently low level. The average length of service at our company is 10.0 years. Compared to previous year the average length slightly decreased, as two long-term employees retired and five new employees joined the HAMBORNER staff. According to the Institute for Employment Research (IAB) as at the time of the last survey in 2010, the average length of time employees spend in a job in Germany is approximately 10.8 years. This figure has not changed significantly since the result of 10.3 years in the first survey in 1992. By European standards, Germany, and HAMBORNER, are in the middle of the field according to an IAB report covering the UK, Denmark, Spain, Italy and France. The averages in the UK, Denmark and Spain are significantly shorter than in Germany at 7.3, 8.2 and 8.9 years respectively, while in Italy and France they are a little higher at 11.2 and 11.5 years.

Average employee tenure:

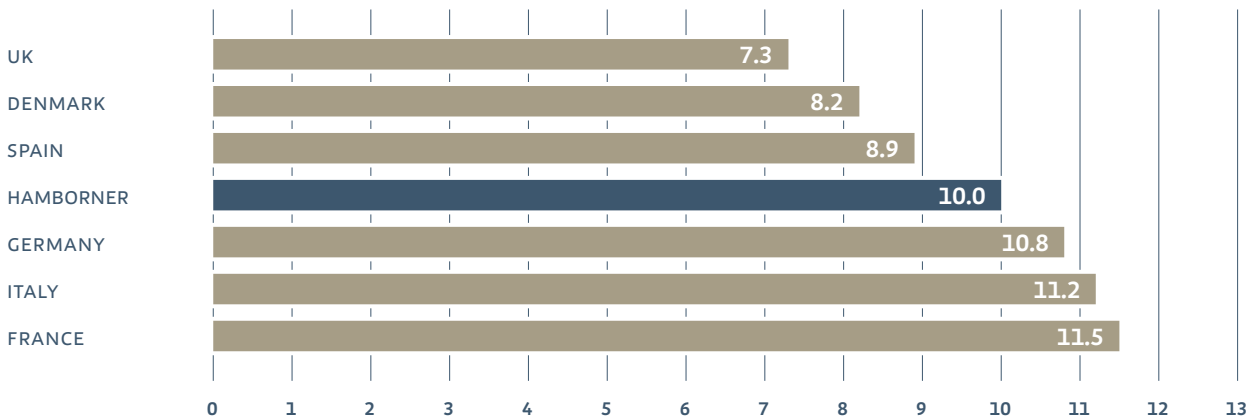
10 years

New hires / departing employees



Employee turnover

[in years]



OUR SURROUNDINGS

Our properties are part of their cities and communities, and therefore have a significant influence on their respective cityscapes. Thus, it is important to us, when carrying out modernisation work and refurbishments for example, that we respect the corresponding city and preservation statutes and guarantee the protection of historic façades. This ensures the preservation of a consistent cityscape – which is in our interest as well – and the adequate integration of our properties into their surroundings.

HAMBORNER had 69 properties in 55 cities in Germany as at the end of 2016. We maintain contacts going back years with local authorities and offices at a number of locations. We regularly take part in local business initiatives, interest groups and marketing measures to increase the attractiveness of locations and footfall for our properties.

OUR COMMITMENT

The Management Board and employees of HAMBORNER are members of various organisations and interest groups that aim to foster the issues of sustainability and corporate governance in the property sector. Furthermore, we are involved in political work all the time as a member of committees. We are actively involved in association work with the aim of being excellently informed of future developments in the property sector and being able to shape them as well. It is also a matter of concern to us to assist in property sector research and teaching. Sponsoring the Society of Property Researchers, Germany (gif) and the Cologne Institute for Economic Research is a fixed part of our corporate commitment. A description of the initiatives mentioned here can be found in the glossary on pages 38 to 39.

GLOSSARY: IMPORTANT TERMS AND ABBREVIATIONS

AFFO	Adjusted funds from operations (see also FFO)
CAPEX	Capital expenditure
Cash flow	Net total of the inflows and outflows of cash in a period
Compliance	Implies compliance with laws and regulations in companies in addition to voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and therefore to avoid violations in a company is referred to as the compliance management system.
Corporate governance	The entirety of organisational and content measures for the management and monitoring of companies. Legal and factual framework, above all with regard to the company's involvement in its environment and its relations with stakeholders.
CRESS	The Construction and Real Estate Sector Supplement is a supplement to the GRI guidelines specifically for the publication requirements of construction and real estate sector companies.
District heating	Describes a form of heat supply to provide buildings with heating and warm water on the basis of insulated systems of pipes.
EBIT	Earnings before interest and taxes (income taxes only)
EBITDA	Earnings before interest, taxes (income taxes only), depreciation and amortisation
EEWärmeG	Law to promote the use of renewable energies for heating (German Act on the Promotion of Renewable Energies in the Heat Sector)
EPRA	European Public Real Estate Association – European association of listed property companies. Financial analysts, investors, auditors and consultants are also represented here in addition to companies.
FFO / AFFO	Funds from operations: Performance indicator for operating business and also a key control parameter of the company. 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. Adjusted for maintenance and modernisation expenditure not recognised as an expense in the financial year, this figure is known as AFFO.
G4 standard	<p>Standard level in the preparation of sustainability reports according to the guidelines of the GRI – Global Reporting Initiative. The focus of reporting under G4 is the principle of “materiality”. This means concentrating on aspects that reflect the key economic, environmental and social impact on the organisation and that have a material influence on stakeholders’ decisions.</p> <p>Companies can report according to the “Core” option or the “Comprehensive” option. The “Core” option contains the material elements of a sustainability report. It creates a background for an organisation to provide information on the impact of its economic, environmental, social and governance-related activities. The “Comprehensive” option requires additional standard disclosures on strategy and analysis, governance and the ethics and integrity of the organisation. Moreover, the organisation must report in more detail on its performance by reporting all the indicators related to the aspects identified as material.</p>
gif e. V.	Gesellschaft für immobilienwirtschaftliche Forschung e. V. (gif): gif promotes property industry research and teaching. It creates bridges between science and the economy, establishes standards to increase market transparency and advances the professionalisation of the industry.

Government Commission on the German Corporate Governance Code	The Government Commission set up by the German Minister of Justice in September 2001 passed the first version of the German Corporate Governance Code on 26 February 2002.
GRI	The Global Reporting Initiative develops internationally recognised guidelines for sustainability reporting by incorporating a variety of stakeholders and is constantly adjusting these. The GRI is a partner to the United Nations Environment Programme (UNEP). The GRI Secretariat is based in Amsterdam.
Initiative Corporate Governance der deutschen Immobilienwirtschaft	The Initiative's aim is to devise and establish principles of transparent and professional corporate governance in the property industry.
Institut der deutschen Wirtschaft e. V.	The Cologne Institute for Economic Research (IW) is supported by associations and private industry. On a scientific basis, it prepares analyses and statements on all issues of economic and social policy, the education and training system and social development. In addition to its own programme of work, it also performs research on behalf of third parties. Its employees are contacts from the worlds of politics, media, administration and other institutions.
Institut für Arbeitsmarkt- und Berufsforschung (IAB)	The Institute for Employment Research (IAB) in Nuremberg was founded in 1967 as the research arm of the German Federal Labour Office. It researches the labour market on the basis of legal mandates, makes the findings of its research available to the public and provides independent political and practical advice.
Like-for-like approach	Comparison of same database for two or more years
LTV	Loan to value: Describes the financial liabilities of the company as a proportion of the fair value of its investment property portfolio, taking into account cash and cash equivalents
Material aspects	Material aspects are those that reflect the key economic, environmental and social impact of the organisation, or that decisively influence stakeholders' assessments and decisions. The identification of an aspect as material requires a qualitative analysis and a quantitative assessment and discussion.
NAV	The net asset value reflects the economic equity of the company. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital.
REIT	Real estate investment trust. Listed company that invests solely in property. Facilitates indirect investment in properties for investors through the purchase of shares. The majority of profits are distributed. Taxation occurs at investor level only (tax transparency).
REIT equity ratio	Corresponds to the equity coverage ratio in accordance with section 15 in conjunction with section 12(1) sentence 2 of the German REIT Act, i.e. the ratio of equity (on a fair value basis) to the fair value of immovable assets. The equity on fair value basis is calculated from the total reported equity and hidden reserves. At HAMBORNER, immovable assets consist of the property portfolio of the company and undeveloped land, primarily agricultural land and forests.

OVERVIEW OF GRI G4 INDEX – “CORE” OPTION

GENERAL STANDARD DISCLOSURES

General standard disclosures	“In accordance” – Core (This information should be disclosed in all cases)
Strategy and analysis	G4-1
Organisational profile	G4-3 to G4-16
Identified material aspects and boundaries	G4-17 to G4-23
Stakeholder engagement	G4-24 to G4-27
Report profile	G4-28 to G4-33
Governance	G4-34
Ethics and integrity	G4-56
General standard disclosures for sectors	Required, if available for organisation’s sector (*)

SPECIFIC STANDARD DISCLOSURES

Specific standard disclosures	“In accordance” – Core
General disclosures on management approach	For material aspects only*
Indicators	At least one indicator related to each identified material*
Specific standard disclosures for sectors	Required, if available for organisation’s sector and if material*

* REASONS FOR OMISSION (original text GRI G4, page 13).

For Standard Disclosures with *, reasons for omission can apply in exceptional cases.

In exceptional cases, if it is not possible to disclose certain required information, the report should clearly:

- a) Identify the information that has been omitted.
- b) Explain the reasons why the information has been omitted.

This report was prepared on the basis of the GRI G4 guidelines applying the “Core” option. The following index shows which G4 indicators and material aspects are covered in this report and on which page of this report they can be found. The information described has not been reviewed externally.

Furthermore, the EPRA Best Practices Recommendations and the German Central Real Estate Committee Sustainability Guideline recommend reporting on specific key performance indicators. The table therefore also provides an overview of which of these key performance indicators EPRA or the ZIA recommend reporting.

GRI	General standard disclosures				
No.	Indicator	Page	Comments	EPRA	ZIA
Strategy and analysis					
G4-1	Statement from the most senior decision-maker of the organisation	4		✓	✓
Organisational profile					
G4-3	Name of the organisation	2		✓	✓
G4-4	Primary brands, products and services	10, 11		✓	✓
G4-5	Organisation’s headquarters	10		✓	✓
G4-6	Number of countries in which the organisation operates	10			✓
G4-7	Nature of ownership and legal form	10, 20		✓	✓
G4-8	Markets served	11			✓
G4-9	Scale of the organisation	28		✓	✓
G4-10	Total number of employees by employment contract and gender	34		✓	✓
G4-11	Percentage of total employees covered by collective bargaining agreements		Not relevant		
G4-12	Organisation’s supply chain	16			✓
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership	23		✓	✓
G4-14	Declaration whether the precautionary approach or principle is addressed by the organisation	29			
G4-15	Externally developed economic, environmental and social charters or principles endorsed by the organisation	7, 16			✓
G4-16	Memberships of associations	22, 37			✓
Identified material aspects and boundaries					
G4-17	All entities included in the consolidated financial statements		no consolidation		
G4-18	Explanation of the process for defining the report content	6			
G4-19	All material aspects	17, 18			
G4-20	Material aspects within the organisation	19, 20			
G4-21	Material aspects outside the organisation	21			
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements		no changes		
G4-23	Effect of any restatements of information provided in previous reports		no changes		

GRI	General standard disclosures				
No.	Indicator	Page	Comments	EPRA	ZIA
Stakeholder engagement					
G4-24	List of stakeholder groups engaged by the organisation	19			✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	19			✓
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement	19–21			✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement	20–23			✓
Report profile					
G4-28	Reporting period	6		✓	✓
G4-29	Date of most recent previous report	6			
G4-30	Reporting cycle	4		✓	✓
G4-31	Contact point	43			
G4-32	GRI index	6, 41		✓	✓
G4-33	External assurance of report		no external assurance		
Governance					
G4-34	Governance structure	11–13			
Ethics and integrity					
G4-56	Organisation's values, principles, standards and norms of behaviour	4, 15, 16, 21		✓	✓
GRI	Specific standard disclosures				
No.	Indicator	Page	Comments	EPRA	ZIA
G4-DMA	Disclosures on management approach (DMA)	15, 17, 18			✓
Category: Economic					
G4-EC1	Direct economic value generated and distributed	28			✓
Category: Environmental					
G4-EN6	Reduction of energy consumption	29–33		✓	
Category: Social					
G4-LA13	Salary ratio of women to men	35			✓

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This sustainability report contains among other things forward-looking statements based on certain assumptions and expectations as at the time of publication of this sustainability report. They therefore entail risks and uncertainties and are contingent on factors that HAMBORNER REIT AG can neither influence nor predict with certainty at the current time. These include future market conditions and economic developments, the conduct of other market participants, the attainment of anticipated synergy effects, and legal and political decisions. HAMBORNER does not guarantee the accuracy or completeness of the information provided here.