

# REMUNERATION REPORT

This remuneration report details the main features of the remuneration policy for the Management Board and the Supervisory Board of S IMMO AG for the 2020 financial year. Furthermore,

the remuneration paid to current and former members of the Management Board and the Supervisory Board in the reporting year is disclosed individually.

## I. Introduction: Business Development 2020

Despite the impacts of the Covid-19 pandemic, S IMMO AG saw solid business development in 2020. This was mainly due to a 3.3 % increase in rental income to EUR 123.26 million (2019: EUR 119.37 million).

At the same time, hotel revenues fell sharply to EUR 17.79 million (2019: EUR 59.10 million) due to the coronavirus, but this was at least partially offset by a reduction in hotel operating expenses to EUR 18.13 million (2019: EUR 42.25 million). In addition, there was a significantly higher impairment of receivables, so that the expense for valuation allowances and write-downs of trade receivables increased to EUR 4.37 million (2019: EUR 0.50 million).

Even though this resulted in a reduction in gross profit to EUR 91.53 million (2019: EUR 109.71 million) compared to the record year 2019, this decline was kept within relatively narrow limits thanks to extraordinary efforts in asset management. EBITDA decreased to EUR 71.13 million (2019: EUR 87.04 million). The result from property valuation amounted to EUR 39.06 million (2019: EUR 192.67 million) and EBIT amounted to EUR 100.96 million (2019: EUR 271.44 million). Even though the consolidated net income decreased to EUR 56.91 million (2019: EUR 213.31 million), it was possible to achieve a net profit despite the COVID-19 pandemic. Overall, S IMMO AG was therefore able to handle the challenges of the pandemic well.

# II. Overview over the Main Features of the Remuneration Policy

## 1 Remuneration of the Management Board

### 1.1 Main Features of the Remuneration Policy

The principles for the remuneration of the members of the Management Board are drawn up by the Supervisory Board of S IMMO AG based on the proposal of its Management Board Committee and submitted to the Annual General Meeting for approval. The current remuneration policy of S IMMO AG was approved by the Annual General Meeting on 12 October 2020.

The focus of the remuneration policy for the Management Board is to attract and retain qualified executives at S IMMO AG to promote the company's business strategy and long-term development.

This is to be achieved by performance-based remuneration that is in line with the market, with the total remuneration being appropriate for the performance of the company and the market standard. The remuneration policy must establish transparent and suitable performance incentives that promote sustainable, value-creating and growth-oriented business development by harmonizing the interests of the company, its shareholders and the members of the Management Board and prevent the company from taking unreasonable risks.

The remuneration of the Management Board consists of a fixed base salary and a variable remuneration. The amount of the variable remuneration is determined by the achievement of quantitative and qualitative performance criteria.

In addition, the company makes annual contribution payments to an intercompany pension fund. The members of the Management Board are included in the D&O insurance taken out by S IMMO AG and are entitled to a company car. These components are presented in more detail below.

S IMMO AG currently does not have a long-term incentive plan for members of the Management Board.

### 1.2 Fixed Remuneration Components

#### 1.2.1 Base Salary

The base salary for each member of the Management Board is determined by the Management Board Committee of the Supervisory Board. In doing so, the Management Board Committee considers the appropriateness in a market comparison, taking into account the qualification and experience of the respective Management Board member and his area of duties and responsibilities.

The base salary consists of a contractually agreed annual salary, which covers all additional work by the Management Board members outside the normal working hours.

In the 2020 financial year, the base salaries of the members of the Management Board totaled EUR 825,000 (2019: 825,000), in addition to the employer's contribution to social security and charges to be paid by the employer:

in EUR	2020	2019
Mag. Ernst Vejdovszky	475,000	475,000
Mag. Friedrich Wachernig, MBA	350,000	350,000
<b>Total</b>	<b>825,000</b>	<b>825,000</b>

#### 1.2.2 Other Fixed Remuneration Components

S IMMO AG pays an annual contribution amounting to 10% of the base salary into an intercompany pension fund for each member of the Management Board. In 2020, pension fund contributions totaled EUR 82,500 (2019: EUR 82,500). Moreover, the company makes contributions in the statutory amount to the corporate pension fund in accordance with the Corporate Employee and Self-Employed Pension Act.

In addition, S IMMO AG has taken out D&O insurance with coverage of EUR 60 million. This insures certain claims for damages that may be asserted against the members of the Management Board by the company, shareholders or third parties due to breaches of duty of care. Including Management Board members in a D&O insurance policy is market standard and establishes a liability fund for the company in the event of a claim.

Furthermore, the members of the Management Board are provided with upper mid-range company cars, which can also be used privately.

## 1.3 Variable Remuneration for the 2020 Financial Year

### 1.3.1 Principles for Determining Variable Remuneration

The members of the Management Board receive an annual bonus as variable remuneration component, which is determined using financial (quantitative) and non-financial (qualitative) performance criteria. The annual bonus is made up of 70 % financial and 30 % non-financial performance criteria. The annual bonus amounts to 100 % of the base salary if 100 % of the performance targets are achieved.

After the end of the financial year, the Management Board Committee determines the degree of target achievement for each performance criterion. The Management Board Committee may also determine over-achievement and/or consider particularly good results and performance, rewarding this with a supplement. Moreover, in the event of over-achievement, the Supervisory Board may grant a special bonus of up to 50% of the base salary taking into account the annual result.

The following financial performance criteria are used to determine the variable remuneration:

#### ■ Cash flow and profitability

- **FFO 1** (consolidated net income for the period after factoring out sales-related cashflow impacting taxes and all non-cash income taxes, property valuation and all depreciation and amortization, sales results, non-cash derivative valuation effects and other non-recurring effects)
- **Dividend yield on equity** (division of dividend by equity based on the consolidated financial statements)

#### ■ Key figures on asset value

- **Book value per share** (Division of equity based on the consolidated financial statements by the number of shares issued)
- **Equity ratio** (Division of equity by the company's total assets on the basis of the consolidated financial statements)
- **Vacancy rate adjusted for technical vacancies**

The Management Board Committee of the Supervisory Board determines the target values underlying the individual performance criteria at the beginning of each financial year.

Furthermore, each financial year, the Management Board Committee must stipulate at least two qualitative performance criteria from the following categories for the members of the Management Board:

■ **Project-related goals** (in particular, project progress, construction completion, successful leasing)

■ **Strategic goals** (in particular, acquisitions or divestments, increases in potential such as new leases, investments in buildings to enhance their value or opening of building land reserves)

■ **Non-financial targets** (in particular those pertaining to the Sustainability and Diversity Act.)

### 1.3.2 Financial Performance Targets for the Variable Remuneration for the 2020 Financial Year

The Management Board Committee has set the following target values for the financial performance criteria for 2020; in the following table, the target values are compared with the actual values:

Performance criterion	Weighting	Target value	Actual value 2020
FFO 1	25%	EUR 59.99 million (0%)	EUR 42.38 million
		EUR 66.65 million (80%)	
		EUR 73.32 million (100%)	
		EUR 83.31 million (200%)	
Book value per share as of 31 December 2020	15%	EUR 18.81 (0%)	EUR 19.34
		EUR 20.90 (100%)	
		EUR 26.13 (200%)	
Equity ratio	10%	at least 40%	44.3%
Dividend yield on equity <sup>1</sup>	10%	at least 4%	4.27%
Vacancy rate	10%	maximum 5.75% (adjusted for technical vacancy)	5.63% <sup>2</sup>

### 1.4.1 Qualitative Performance Targets for the Variable Remuneration for the 2020 Financial Year

For 2020, the Management Board Committee has set the following qualitative performance criteria:

Performance criterion	Weighting	Target value	Actual value 2020
Investments	15%	Profitable investments of at least EUR 200 million	Acquisition of real estate totaling EUR 206.9 million
Other value-creating acquisitions and sales that raise potentials	10%	Continuation of the program of acquisitions with potential for high cash flow and value development; increase in rental income through new leasing, value-enhancing building investments and opening of building land reserves	Acquisition of approx. 578,000 m <sup>2</sup> of land in the surrounding areas of Berlin  Several significant value-creating sales in Germany
Sustainability measures	5%	Sustainability measures, in particular in the fields of environment, energy, employees, ethic, compliance, human rights and social issues	Preparation of the requirements for the issue of a "green bond"

<sup>1</sup> Based on the dividend proposal of the Management Board for 2020 and in relation to the balance sheet equity, reduced by 30% of the unrealized (accounting) gains (adjusted for the related deferred taxes) and increased by 70% of the hidden reserves of the properties not recognized at fair value (reduced by the related deferred taxes).

<sup>2</sup> Annual average.

## 1.5 Target Achievement for the 2020 Financial Year

For 2020, the Management Board Committee determined an overall target achievement of 80 %. As described in more detail below, this results in a 46.67 % reduction in the annual bonus compared with the previous year. On the one hand, this reflects the difficult overall economic situation, but on the other hand, it also acknowledges S IMMO AG's solid results against the backdrop of the Corona-crisis as well as the opportunities created in the 2020 financial year for the company's further positive development.

The target values had been set before the onset of the COVID-19 pandemic in reference to the values of the previous year. They were not revised during the 2020 financial year despite the massive impact of COVID-19. Nevertheless, several quantitative and qualitative targets were exceeded.

Considering the economic environment in 2020, special achievements were the good occupancy rate, exceeding the investment target of EUR 200 million despite a halt to major investments of roughly six months during a period of massive Corona-related uncertainties, the acquisition of very attractive properties (office buildings in CEE) and real estate with high appreciation potential (especially in the suburbs of Berlin) and

In EUR	Year	Fixed remuneration	Pension contributions	Variable remuneration	Total
Mag. Ernst Vejdovszky	2020	475,000	47,500	380,000	902,500
	2019	475,000	47,500	712,500	1,235,000
Mag. Friedrich Wachernig, MBA	2020	350,000	35,000	280,000	665,000
	2019	350,000	35,000	525,000	910,000

The contractual remuneration entitlements of the Management Board described above amounted to EUR 1,567,500, excluding fringe benefits such as company cars. The ratio of fixed to variable remuneration was approximately 5:4.

In EUR	Year	Fixed remuneration	Pension contributions	Variable remuneration	Total
Mag. Ernst Vejdovszky	2020	475,000	47,500	682,813	1,205,313
	2019	475,000	47,500	523,373	1,045,873
Mag. Friedrich Wachernig, MBA	2020	350,000	35,000	503,125	888,125
	2019	350,000	35,000	390,243	775,243

very profitable property sales in Germany. The performance of the Management Board is therefore rated as very good.

Based on a degree of target achievement of 80%, the annual bonuses for the Management Board for 2020 totaled EUR 660,000 (annual bonuses 2019: EUR 1,237,500). No special bonuses were granted to the Management Board. The annual bonuses are allocated to the members of the Management Board as follows:

Annual bonus in EUR	2020	2019
Mag. Ernst Vejdovszky	380,000	712,500
Mag. Friedrich Wachernig, MBA	280,000	525,000
<b>Total</b>	<b>660,000</b>	<b>1,237,500</b>

## 1.6 Accrued Remuneration Entitlements of the Management Board in the 2020 Financial Year

The following table shows the entitlements accrued in the 2020 and 2019 financial years related to the base salary (fixed remuneration), contributions to the intercompany pension fund and variable remuneration:

## 1.7 1.7 Remuneration Paid to the Management Board in the 2020 Financial Year

The following table shows the remuneration paid out in the 2020 financial year:

## 2 Remuneration of the Supervisory Board

The remuneration policy for the members of the Supervisory Board is prepared by the Management Board Committee and submitted to the entire Supervisory Board for approval. The Supervisory Board's remuneration is officially determined by the Annual General Meeting for each financial year.

S IMMO AG is committed to remuneration for the members of the Supervisory Board that is in line with market practice. Thus, a variable remuneration is not paid in order to prevent conflicts of interest between the Supervisory Board's control function and the financial interests of its members.

The remuneration of the members of the Supervisory Board consists of an annual expense allowance. The chairwoman and her deputies receive a higher allowance due to the additional time required for their leadership positions. In addition, the members of the Supervisory Board receive an attendance fee for attending meetings of the Supervisory Board.

The remuneration of the Supervisory Board for the 2020 financial year totals EUR 268,391 (2019: EUR 239,000):

In EUR	Expense allowance	Attendance fee	Total 2020	Total 2019
Dr. Karin Rest, EMBA (Chairwoman since 26 November 2020)	24,239	11,000	35,239	23,000
Christian Hager (1 <sup>st</sup> deputy chairman since 26 November 2020)	22,120	12,000	34,120	24,000
DI Manfred Rapf (2 <sup>nd</sup> deputy chairman since 26 November 2020)	22,120	15,000	37,120	25,000
Mag. Hanna Bomba	20,000	11,000	31,000	24,000
Dr. Martin Simhandl (retired as of 12 October 2020; chairman until that date)	31,304	11,000	42,304	47,000
Mag. Franz Kerber (retired as of 12 October 2020; 1 <sup>st</sup> deputy chairman until that date)	23,478	10,000	33,478	36,000
Mag. Dr. Wilhelm Rasinger (retired as of 12 October 2020; 2 <sup>nd</sup> deputy chairman until that date)	23,478	9,000	32,478	37,000
Mag. Andrea Besenhofer (retired as of 12 October 2020)	15,652	7,000	22,652	23,000

## III. Other Information

As described at the beginning, the results of the 2020 business year reflect the COVID-19 crisis compared to the very good year 2019. Nevertheless, due to the extraordinary efforts in asset management, the effects of the crisis were kept within narrow limits and a clearly positive result was achieved. The annual

change in the company's economic success, the overall remuneration of the Management Board and the average remuneration of the employees present themselves as follows:

In EUR (k)	2020	2019	Change in %
FFO 1	42.38	64.73	-34.53%
Book value / share	19.34	20.27	-4.59%
Earnings after taxes	56,912	213,307	-73.32%
Total Management Board remuneration <sup>3</sup>	1,567,500	2,145,000	-26.92%
Average remuneration of employees <sup>4</sup>	68,622	65,205	5.24%

<sup>3</sup> Entitlement to remuneration accrued in the respective financial year.

<sup>4</sup> Base salary including bonuses.