Remuneration system for the members of the Management Board (item 6 of the agenda)

1 Principles and objective of the Executive Board remuneration system

The remuneration system for the Board of Management defines the framework conditions according to which the remuneration of the members of the Board of Management of ERWE Immobilien AG ("**ERWE**") is determined by the Supervisory Board of ERWE. Subject to approval by the Annual General Meeting, this remuneration system applies to all Management Board employment contracts which are extended or newly concluded.

The Supervisory Board has prepared the remuneration system in accordance with the provisions of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II). The recommendations for the remuneration system for Executive Board members in Section G of the German Corporate Governance Code as amended on 16 December 2019 ("**GCGC**") were also taken into account.

In structuring the remuneration system for members of the Management Board, the Supervisory Board was guided by the following principles:

- Compliance with the provisions of stock corporation law and the principles of good corporate governance
- Focus on performance-related remuneration based on clear and unambiguous criteria
- Alignment of variable remuneration with ERWE's business strategy
- Promoting sustainable and long-term development of ERWE
- Consideration of market practice and remuneration levels within the Group, where appropriate

ERWE's business strategy is to build up a sustainable portfolio of highly attractive commercial properties in preferred inner-city locations in Germany. Preferred locations are promising inner-city locations in major German cities and in exclusively "A" locations in smaller cities and municipalities. Properties are acquired whose potential for value appreciation can be exploited sustainably through new usage concepts, resulting in a high-yield, value-retaining portfolio with significantly rising income.

2 Procedure for determining the specific total compensation and for reviewing the Executive Board compensation system

2.1 Determination of remuneration levels

Pursuant to Section 87 (1) of the German Stock Corporation Act (AktG), the Supervisory Board determines the total remuneration for each individual member of the Executive Board. In the event that the Supervisory Board wishes to consult an external compensation expert for its deliberations, the latter's independence must be ensured.

The Supervisory Board determines a target total remuneration for the members of the Management Board. In doing so, it ensures that this is commensurate with the tasks and performance of the respective member of the Management Board as well as with the situation of the company and does not exceed the usual remuneration without special reasons. In addition, the Supervisory Board ensures that the target total remuneration is geared towards the long-term and sustainable development of the company and that the long-term variable remuneration components have a multi-year assessment basis.

The share of long-term variable remuneration exceeds the share of short-term variable remuneration. The performance criteria relevant for the variable short-term remuneration components are determined by the Supervisory Board for each member of the Board of

Management, whereby it is primarily guided by strategic objectives in addition to operational objectives. In doing so, the Supervisory Board determines the extent to which targets are authoritative individually and for all members of the Executive Board collectively. Subsequent changes to the target values or the comparison parameters are excluded. After the end of the financial year, the Supervisory Board determines the amount of the remuneration components to be paid out individually for the financial year depending on the achievement of targets. In doing so, the Supervisory Board ensures that the reason for and the amount of the Executive Board remuneration are comprehensible.

The Supervisory Board regularly reviews the appropriateness of the total remuneration. In this context, the Supervisory Board reviews the appropriateness and customary nature of the remuneration, also taking into account the remuneration structure within ERWE, insofar as this is reasonable in view of the small number of employees, and decides on any need for adjustment.

2.2 Review of the Executive Board remuneration system and handling of conflicts of interest

The Supervisory Board regularly reviews the applicable remuneration system and adjusts it as necessary or appropriate. If there is a change in the remuneration system, it is again submitted to the Annual General Meeting for approval. In the case of a remuneration system that remains constant over time, it shall be submitted to the General Meeting no later than four years after the last approval of the system. If the Annual General Meeting refuses to approve a remuneration system, the Supervisory Board will prepare and adopt a new, adjusted remuneration system and submit it to the Annual General Meeting for approval.

The regulations of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) on the treatment of conflicts of interest for the members of the Supervisory Board are observed both in the course of the establishment and implementation of the remuneration system and in its ongoing review. If conflicts of interest exist, the members of the Supervisory Board concerned disclose them to the Chairman of the Supervisory Board and abstain from voting on the relevant matters. In addition, the Chairman of the Supervisory Board reports to ERWE's Annual General Meeting on any conflicts of interest that have arisen and how they have been dealt with. If the conflicts of interest are material and not merely temporary, they lead to a termination of the Supervisory Board mandate.

3 Total compensation, compensation structure and other compensation-related aspects

3.1 Total compensation

The total remuneration of the Management Board consists of the following fixed and variable remuneration components:

(a) Annual fixed salary, benefits in kind and other benefits

The members of the Management Board receive a fixed annual salary for their work, which is paid in twelve equal monthly instalments and is based on the tasks of the respective Management Board member. The fixed annual salary takes into account the individual role of the Executive Board member within the Executive Board, experience, area of responsibility and market conditions. In the event of temporary incapacity to work due to illness, accident or another reason for which the respective Executive Board member is not responsible, the fixed annual salary continues to be paid for a maximum period of six months.

In addition to the fixed annual salary, the Company grants all members of the Executive Board other benefits, some of which are considered non-cash benefits and are taxed accordingly. For example, members of the Executive Board are provided with a company car for business and private use within the framework of a predefined budget or, alternatively, with a corresponding lump-sum payment. The Company grants Executive Board members subsidies for statutory or private social insurance, up to a maximum of 50% of the respective maximum amounts for statutory pension, health and long-term care insurance, and bears the costs of accident insurance in the event of death or disability. In addition, individual Executive Board members also receive reimbursements or lump-sum payments for home travel and accommodation at the Company's headquarters. Finally, members of the Board of Management are also provided with the communication tools they need at home free of charge.

(b) Short-term variable remuneration

In addition to the fixed annual salary, the members of the Executive Board receive short-term variable remuneration in the form of an annual bonus (so-called Short Term Incentives, "**STI**"). Payment of the STI depends on the achievement of targets set by the Supervisory Board for each fiscal year and for each Executive Board member within the first quarter of each fiscal year, the achievement of which is reviewed as part of the audit and approval of the annual financial statements. If targets are exceeded, the STI can be up to 200% of the agreed STI. In addition to non-financial performance criteria such as environmental, employee or social concerns, financial performance criteria in particular are taken into account as part of these targets. These can essentially be divided into quantitative and qualitative criteria as well as into joint criteria, i.e. criteria that apply to all members of the Executive Board, and individual criteria, i.e. criteria that only apply to individual members of the Executive Board. The quantitative joint criteria essentially correspond to the financial performance indicators that the company also formulates for itself, i.e. adjusted EBIT, net asset value (NAV) and the loan-to-value (LTV) ratio. Qualitative individual aspects can be, for example, the occupancy rate of the portfolio properties, the conclusion of significant acquisitions or the successful implementation of capital and financing measures.

Linking the STI to these targets, in particular the aforementioned financial performance criteria, ensures that the members of the Executive Board consistently align their actions with the Company's business strategy and focus on the goal of sustainably building up a portfolio of highly attractive commercial properties. The respective individual targets take into account the special expertise and distribution of responsibilities within the Executive Board.

(c) Long-term variable remuneration

In addition, the members of the Board of Management may participate in a participation programme of the company in the form of virtual shares (so-called long-term incentives, "**LTI**"). Virtual shares are not actual shares in the company, but imaginary shares in the company, the value of which is determined by the price of the ERWE share in the XETRA trading system of the Frankfurt Stock Exchange and ultimately only represents a payment claim by the members of the Board of Management. In this way, the LTI serves to enable the members of the Board of Management to participate in future increases in the company's enterprise value and to implement an incentive-oriented remuneration system which is aligned to the interests of the shareholders. Conversely, however, if the Company's performance is poor, the Executive Board members also receive less money.

The LTI is structured in such a way that each Executive Board member can be allocated up to 200,000 virtual shares per year free of charge. The Supervisory Board determines the exact maximum number of virtual shares that can be allocated under a participation agreement for each member of the Executive Board when the participation agreement is concluded, which generally comprises an allocation over the term of the employment contract, which is usually at least three years (so-called **vesting period**; the current participation agreements, which were concluded prior to the resolution on the remuneration system, provide for allocations over a period of 48 months and a maximum number of 800,000 virtual shares in this period). The relevant cost price per virtual share, i.e. the share price on the basis of which the share price increase until exercise is measured ("**entry price**"), is determined once when the participation agreement is concluded. As a rule, the entry price shall correspond to the volume-weighted average price of the Company's share in XETRA trading on the Frankfurt Stock Exchange over the ninety days preceding the respective effective date of the participation agreement, unless a different entry price is specified in the individual participation agreement.

Each member of the Management Board must earn the virtual shares promised in the participation agreement over the vesting period or 12-month partial periods. Provided that the relevant allocation requirements are met, after the first 12 months of the vesting period, the Executive Board member is allocated a first tranche of the maximum total number of virtual shares that can be allocated to him over the vesting period (for example, in the case of a vesting period of 48 months, this would be 25%; in the case of 36 months, 33%), after 24 months a further tranche, and so on until the end of the entire vesting period. The Supervisory Board may determine the individual allocation steps and tranches differently in the individual participation agreement if there are weighty reasons for doing so in view of special circumstances of the individual case. However, the vesting period of at least 36 months and the so-called cliff of 12 months, i.e. the first allocation of virtual shares only after the expiry of 12 months, shall be maintained in any case.

The specific number of virtual shares to be allocated after the end of the respective 12-month subperiods and the entire vesting period is determined by the extent to which a share-based performance indicator defined by the Supervisory Board in the respective participation agreement with the Executive Board member has increased in a fiscal year (or a 12-month period deviating from the fiscal year) compared to the base value defined in the respective participation agreement for this period. The Supervisory Board sets corresponding growth targets for each fiscal year or 12-month period within the vesting period. The degree of target achievement determines the number of virtual shares to be allocated in each case.

The waiting period until all virtual shares promised in a participation agreement and allocated within the vesting period can be exercised is four years for each Executive Board member (even if the vesting period is shorter). No partial exercise is possible before that time. Thereafter, exercise is possible in each case within three weeks after publication of a financial report of the company (i.e. a three-month, half-year, nine-month report or annual financial statements) for all or part of the allocated virtual shares. The amount to be paid to the member of the Board of Management for each virtual share exercised corresponds to the volume-weighted average price of the ERWE share in XETRA trading on the Frankfurt Stock Exchange during the last 90 days prior to the exercise request, less the entry price. There is no payment obligation on the part of the member of the Board of Management.

The participation program contains so-called leaver provisions in the event of termination of the employment relationship. If the employment relationship ends, for example, due to the passage of time, termination by the company that is not based on the Board member's reprehensible conduct, or death or incapacity to work, the Board member, as a so-called *good leaver, retains* the virtual shares already allocated to him. If, on the other hand, the employment relationship ends due to a termination by the company that is based on the Board member's reprehensible conduct (so-called *bad leaver*), the virtual shares already allocated are forfeited without replacement.

The choice of the ERWE share price in the XETRA trading system of the Frankfurt Stock Exchange as the measure of value for the virtual shares and the definition of growth-oriented performance indicators as a condition for allocation ensure that the members of the Board of Management base their actions on the long-term value development and sustainable profitability of the company. It cannot be ruled out that the stock market price may also be temporarily influenced by factors that have no relation to the true enterprise value of the Company, such as changes in the overall economic environment or price speculation. In an efficient market such as the XETRA trading system, however, the stock exchange price is determined in the long term by the relevant company-related value factors and is therefore a good indicator of the long-term performance of the Company.

3.2 Compensation structure

The remuneration structure, i.e. the relative shares of the individual remuneration components in the target total remuneration, shall be designed in such a way that the variable remuneration components exceed the (partial) sum of the annual fixed salary, remuneration in kind and other benefits, and that the LTI exceeds the STI. This ensures that the target total remuneration is aligned with the sustainable and long-term development of the Company in accordance with the performance criteria set out in section 3.1(b)and the Company's share price.

The target total remuneration of the Executive Board members is defined as the sum of the fixed annual salary, remuneration in kind, other benefits, STI and LTI. The fixed annual salary represents around 40% of the target total remuneration. The STI accounts for around 25% and the LTI for around 28% of the target total remuneration. Remuneration in kind accounts for around 6% and other benefits for around 1% of the target total remuneration.

3.3 Maximum remuneration of the Management Board and vertical remuneration comparison

The maximum remuneration per Executive Board member for each fiscal year is €600,000. This maximum remuneration limits the payments of all remuneration components granted for a financial year (annual fixed salary, benefits in kind, other benefits, as well as STI and LTI), regardless of when they are paid out.

A vertical compensation comparison is currently not yet carried out. However, the Supervisory Board aims to include the remuneration of senior employees and executives in the remuneration of the Executive Board in the future. Participation in the LTI participation program is already possible for senior employees and executives.

3.4 Possibility for the company to reclaim variable remuneration components

Pursuant to Section 87 (2) of the German Stock Corporation Act (AktG), the Supervisory Board is entitled to reduce the remuneration to an appropriate level with effect for the future or to change the remuneration structure and the form of the individual remuneration components in order to ensure appropriate remuneration. In doing so, the situation of the company and its affiliated companies must be taken into account.

In addition to the relevant statutory regulations, according to which the Supervisory Board is obliged to minimise financial damage to the company in the event of conduct in breach of duty by members of the Board of Management and to claim damages from the members of the Board of Management in this respect, the following so-called clawback regulation exists for members of the ERWE Board of Management: the Supervisory Board has the option of partially reclaiming payments from the LTI from the members of the Board of Management if it transpires that the company has suffered damage as a result of a business transaction which is based on a breach of duty by the member of the Board of Management concerned. The claim for repayment expires at the end of the third year in which the Supervisory Board has resolved the claim for repayment.

4 Remuneration-related legal transactions

4.1 Contract periods, order durations

When appointing members of the Management Board and the duration of Management Board contracts, the Supervisory Board observes the provisions of Section 84 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The initial appointment of Management Board members is for a maximum of three years; in the case of reappointments or an extension of the term of office, the maximum duration of five years is not exceeded. In deviation from recommendation B.5 of the GCGC, the Supervisory Board has not set an age limit for members of the Management Board, as the Supervisory Board is of the opinion that reaching an age limit does not allow conclusions to be drawn about the competence of a Management Board member.

4.2 Termination and notice periods as well as promises of compensation for dismissal

Neither party has the right to terminate the employment contracts for cause. This does not affect the right to terminate the employment contract for good cause pursuant to Section 626 (1) BGB.

Furthermore, in the event of a change of control, the members of the Management Board may terminate their employment contract and resign from office with three months' notice to the end of the month. In the event of termination of the employment contract due to a change of control, the Executive Board member is entitled to a severance payment of up to two years' salary.

4.3 Main features of the pension and early retirement schemes

There are currently no special contractual pension or early retirement arrangements.

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