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## **Deutsche Konsum REIT-AG**

Annual General Meeting of Deutsche Konsum REIT-AG, Broderstorf  
on Thursday, 11 March 2021, at 11:00 a.m. (CET)

### **Explanation of the Management Board on agenda item 11**

**Presentation of the compensation system for members of the Company's Management Board adopted by the Supervisory Board:**

#### **i. Basic objective**

The compensation structure of the Management Board of the Company is intended to ensure appropriate compensation of the Management Board, which is aligned to sustainable and long-term development of the Company and its operating business and promotes these goals. The compensation structure is thus intended to contribute to the business strategy and to the sustainable increase in enterprise value and performance-oriented management of the Company.

The compensation structure consists of a fixed basic compensation, which shall be agreed upon depending on the duties and performance of the respective Management Board member and is payable monthly, and short- and long-term variable compensation linked to the development of the Company's share price, operating result and net asset value.

#### **ii. Procedure for setting and reviewing compensation**

In determining the individual compensation components, the Supervisory Board takes into account an appropriate relationship between the total compensation of the individual Management Board members and their duties and performance, the situation of the Company and the compensation levels of comparable companies and employees of the Company, also taking into account the development of compensation over time. When considering the level of compensation of comparable companies, the Supervisory Board draws on suitable peer groups, taking into account both the business area and the size and market positioning of the company.

Unless justified by the circumstances in an individual case, the total compensation of a member of the Management Board shall not exceed 15 times the average salary (full-time equivalent) of all permanent employees of the Company.

The compensation is regularly reviewed by the Supervisory Board, which may obtain an expert opinion on compensation from independent consultants in cases of doubt. If the Supervisory Board determines in the course of the review that changes to the compensation system are necessary, it adopts a resolution to this effect, which is then submitted to the Annual General Meeting for approval. Conflicts of interest on the part of Supervisory Board members in connection with decisions on the compensation system for the Management Board have not occurred in the past. Should conflicts of interest arise in connection with the determination, implementation or review of the Management Board compensation system in the future, the Supervisory Board member concerned shall disclose such conflict as early as possible and shall not participate in the resolution or, in the case of serious conflicts of interest, also not in the deliberations.

**iii. Fixed compensation**

The fixed compensation consists of an annual cash payment based on the experience, scope of responsibility and performance of the respective Management Board member and is agreed individually, taking into account the above criteria. The fixed compensation is paid monthly in twelve equal instalments.

**iv. Fringe benefits**

The Company shall provide the members of the Management Board with the necessary telecommunications equipment and technical infrastructure to perform their duties and may provide the members of the Management Board with an appropriate company car.

**v. Variable compensation**

In addition to the fixed compensation, the Company pays the members of the Management Board variable compensation, which – as shown in detail below – is based on various target achievement criteria and includes short- and long-term components.

**a. Target achievement criteria**

Before the beginning of each financial year, the Supervisory Board of the Company determines the targets to be achieved in that financial year, on which the variable compensation is based. The following three criteria are taken into account:

**(1) Share price performance**

The increase in the share price in the financial year (after elimination of the dividend paid during the financial year). Target achievement is reviewed on the basis of the volume-weighted average price ("VWAP") in the month of September.

**(2) FFO („Funds from Operations“) per share**

The increase in FFO per share in the financial year in relation to the respective previous financial year. Target achievement is reviewed on the basis of the IFRS financial statements established as of 30 September.

**(3) Increase of the EPRA NAV per share**

The development of the net asset value on the basis of the EPRA NAV in the financial year in relation to the respective previous financial year. Target achievement is reviewed on the basis of the IFRS financial statements established as of 30 September.

The aforementioned criteria are key indicators of the Company's performance. By linking the variable compensation to these targets, it thus contributes to promoting the business strategy and long-term development of the Company.

**b. Determination of the amount of the variable compensation and the weighting of the target achievement criteria**

The Supervisory Board annually assesses the effectiveness of the compensation system in achieving the aforementioned objectives and determines the amount of the variable compensation and the weighting of the target achievement criteria in relation to each other for the following financial year. In doing so, the Supervisory Board is guided by the development and strategic objectives of the Company and, by determining the amount of

the variable compensation components accordingly, ensures that the total compensation of the individual members of the Management Board is appropriate as seen against their duties and performance, the situation of the Company, and the level of compensation of comparable companies and employees of the Company. The Supervisory Board may take appropriate account of extraordinary developments when determining the variable compensation.

**c. Lower and upper limit of target achievement**

The variable compensation starts at a target achievement of at least 30% (below = EUR 0). In the event of overachievement, a cap is applied at 150% per individual target.

**d. Short-term and long-term variable compensation components and payment**

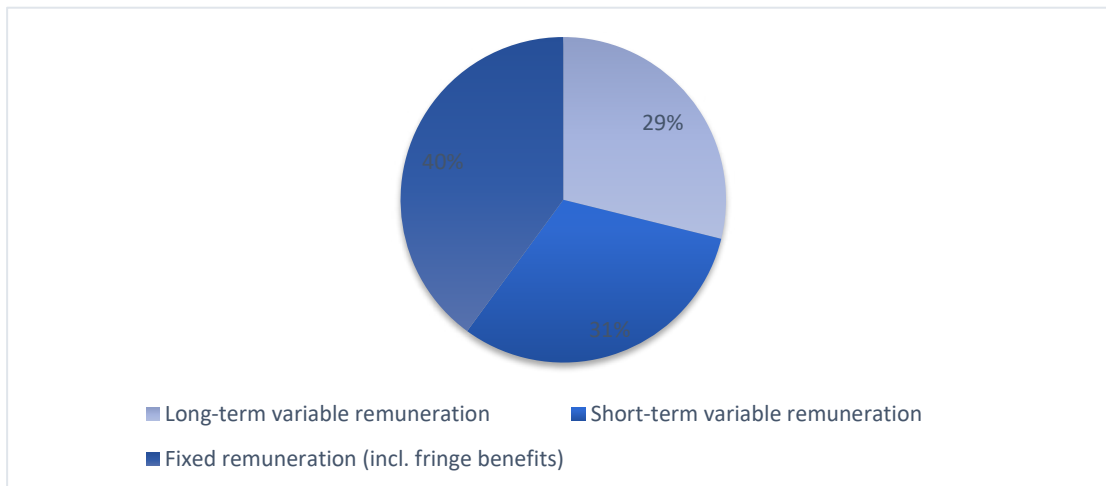
45% of the variable compensation is paid out in cash (short-term variable compensation) following the determination of the financial statements audited by the auditor (usually in December of the year). The remaining portion of the variable compensation is paid out if at least 30% of the specified targets are also achieved in each of the following three financial years. The requirement that compensation components are only paid out after verification of target achievement in accordance with the above-mentioned assessment criteria means that situations in which there would be grounds for reclaiming variable compensation components are generally avoided. If, in individual cases, instalments are paid on compensation that is not yet finally due and the conditions for payment are not subsequently met or if the basis for assessment subsequently proves to be incorrect, the corresponding compensation components are to be returned or offset against compensation components that are due.

**vi. Ratio of fixed and variable compensation components**

The ratio of the fixed and variable compensation components to each other depends to a large extent on the specific reference parameters and thus on the individual case. The fixed compensation is generally determined when the respective Management Board service contract is concluded or extended and is based individually on the criteria set out under No. 2, whereas the amount and assessment criteria of the variable compensation are determined annually by the Supervisory Board as described above under No. 4. As the actual amount of the variable compensation also depends on the degree of target achievement in the individual case (which can only be determined subsequently), it is not possible to specify a specific ratio between the fixed and variable compensation components in advance. In principle, which may be deviated

from in justified cases, the variable compensation should exceed the fixed compensation in the event of 100% target achievement.

In financial year 2019/2020, the relative shares of the compensation of the entire Management Board were as follows:



**vii. Maximum compensation of Management Board members**

The maximum annual compensation of the Management Board members, taking into account all compensation components, shall not exceed the amount of TEUR 750 per Management Board member.

**viii. Severance payment cap**

Any severance payment to Management Board members in the event of premature termination of their Management Board activities shall not exceed the value of two years' compensation (severance payment cap).

**ix. Post-contractual non-competition clauses**

The agreement of post-contractual non-competition clauses is not provided for.

Potsdam, January 2021

Deutsche Konsum REIT-AG

The Management Board