



Deutsche EuroShop



REMUNERATION REPORT **2021**

COMPENSATION REPORT AND THE AUDITOR'S REPORT ON ITS AUDIT UNDER ITEM 6 OF THE AGENDA

This compensation report details the components and the operating principles of the remuneration logic as well as the individual remuneration amounts for the Executive Board and Supervisory Board.

Detailed information on the remuneration systems for the members of the Executive Board and Supervisory Board of Deutsche EuroShop AG is available on the Company's website: <https://www.deutsche-euroshop.com/remuneration>.

GUIDELINES AND PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE EXECUTIVE BOARD OF DEUTSCHE EUROSHOP AG

Deutsche EuroShop AG's business strategy aims to make investments in high-quality shopping centers in inner cities and established locations offering the potential for stable, long-term value growth and enabling the generation of high surplus liquidity from leases in shopping centers. The strategic targets are geared to consolidating the Company's successful positioning among its European competitors and increasing the value of the Company for its shareholders over the long term. The success of this development is measured on the basis of performance criteria and taken into appropriate account in the remuneration paid to the Executive Board. The remuneration thus provides the Executive Board with an effective incentive to implement the business strategy and achieve success. For this reason, the remuneration consists primarily of variable components that reward the achievement of set targets and reduce the remuneration paid in the event of non-achievement. This establishes a direct correlation between corporate success and remuneration.

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

Essential features of the new remuneration system adopted in 2021

In 2021, Deutsche EuroShop AG developed a remuneration system for the members of the Executive Board in accordance with Section 87a AktG, which was resolved by the Supervisory Board on 9 April 2021 at the recommendation of the Executive Committee and approved by the Annual General Meeting on 18 June 2021 with an approval rate of 99.54 %. It is based on the strategic alignment of the Company and complies with the regulatory requirements of the Aktiengesetz (AktG – German Public Companies Act) and the recommendations of the Deutscher Corporate Governance Kodex (DCGK – German Corporate Governance Code).

The following overview presents the basic components of the remuneration system and their design:

Fixed (non-performance-related) components

Basic annual remuneration	<ul style="list-style-type: none"> Fixed basic annual remuneration, paid monthly in twelve equal instalments
Ancillary benefits	<ul style="list-style-type: none"> Car for business and private use Accident insurance / D&O insurance Allowance for health and long-term care insurance
Company pension scheme	<ul style="list-style-type: none"> Defined contribution plan in the form of a fixed annual amount to a provident fund Alternative: Conclusion of old-age pension insurance

Variable (performance-related) components

Short-term incentive (STI)

Plan type	<ul style="list-style-type: none"> Annual target bonus plan
Cap	<ul style="list-style-type: none"> 150 % of target amount
Performance targets	<ul style="list-style-type: none"> Financial performance target: <ul style="list-style-type: none"> Funds from operations (FFO) per share Personal criteria-based multiplier (0.8 – 1.2): <ul style="list-style-type: none"> 50 % ESG target (e.g. certification of centers) 25 % personal target (e.g. capital market communication rating) 25 % individual special projects / strategy implementation

Long-term incentive (LTI)

Plan type	<ul style="list-style-type: none"> Performance cash plan (annual rolling)
Cap	<ul style="list-style-type: none"> 150 % of target amount
Performance targets	<ul style="list-style-type: none"> Total shareholder return (TSR; 75 %): <ul style="list-style-type: none"> 2/3 absolute TSR 1/3 relative TSR compared to relevant competitors Loan-to-value ratio (LTV; 25 %): <ul style="list-style-type: none"> Absolute LTV Multiplier depending on relative LTV compared to relevant competitors (0.8 – 1.2)
Performance period	<ul style="list-style-type: none"> Four years
Payout	<ul style="list-style-type: none"> Due in cash upon adoption of the annual financial statements for the last financial year of the respective tranche, thus four years after issue

Further contractual regulations

Maximum remuneration per Executive Board member	<ul style="list-style-type: none"> • €1,100,000 p. a.
Share Ownership Guidelines	<ul style="list-style-type: none"> • Obligation to acquire and hold shares in Deutsche EuroShop AG amounting to at least 100 % of the gross basic annual remuneration • Regular holding obligation for entire period of service and two years beyond • Build-up of one-third of the STI and 100 % of the LTI payout amount
Clawback	<ul style="list-style-type: none"> • Possibility of reclaiming variable remuneration (STI as well as LTI) in certain cases
Severance cap	<ul style="list-style-type: none"> • Limited to two years' remuneration (basic annual remuneration plus contributions to company pension plan, STI and LTI), but not exceeding the remaining term of the employment contract

The target total remuneration of the Executive Board members is defined as the sum of the basic annual remuneration, ancillary benefits, company pension plan, and STI and LTI (in each case assuming 100 % target achievement). The basic annual remuneration corresponds to between 40 % and 50 % of the target total remuneration. The STI accounts for around 20 % – 25 % and the LTI for around 25 % – 30 % of the target total remuneration. The company pension plan accounts for around 5 % and ancillary benefits for around 2 % – 4 % of the target total remuneration. The significant share of the variable remuneration components in the target total remuneration and the higher weighting of the LTI compared with the STI underscore the "pay for performance" approach and the way that remuneration is geared to the long-term and sustainable success of Deutsche EuroShop AG.

As required by Section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set an individual cap on remuneration. The amount of this maximum remuneration per Executive Board member is therefore €1,100,000 for each financial year. This maximum remuneration additionally limits the combined payout of all remuneration components granted for a financial year (basic annual remuneration, ancillary benefits, company pension plan, and STI and LTI) regardless of when they are paid out.

The remuneration system will be applicable to new or extended Executive Board memberships and will therefore be applied for the first time with the extension of the Executive Board contract for Mr Wellner from 1 January 2022. For 2022, Mr Wellner will receive fixed basic annual remuneration of €390,000; the target values are €190,000 for the STI and €215,000 for the LTI. The current term of Mr Borkers' Executive Board contract runs until 30 September 2022.

Remuneration practice in financial year 2021

In financial year 2021, the remuneration of the Executive Board members was still based on the provisions defined in the individual contracts when they were concluded. The remuneration agreed in these Executive Board contracts is made up of non-performance-related (fixed) and performance-related (variable) components. The fixed remuneration comprises the basic remuneration as well as ancillary benefits and, in some cases, a company pension plan. The variable remuneration reflects the performance during a financial year as well as the long-term development of the Company. Short-term variable remuneration (bonus) and long-term variable remuneration (long-term incentive) are therefore applied depending on performance.

In determining the target remuneration, the Supervisory Board took into account the size, complexity and structure of Deutsche EuroShop AG. Additional consideration was given to the economic and financial situation of the Company, the structure and level of Executive Board remuneration in comparable companies, the areas of responsibility of the individual Executive Board members, and the internal remuneration environment.

Fixed remuneration

The members of the Executive Board receive basic annual remuneration for their work based on the position, duties and area of responsibility of the respective Board member.

The fixed remuneration components include other ancillary benefits, primarily a car for business and private use and accident insurance. The Executive Board members also receive an allowance for health and long-term care insurance amounting to 50 % of the amounts payable by them, but not exceeding 50 % of the contributions to statutory health and long-term care insurance. In addition, a standard D&O insurance policy has been taken out for the members of the Executive Board.

Company pension plan

A defined contribution plan was agreed for Mr Wellner with effect from 1 July 2018. In this context, the Company will make a vested entitlement of €50,000 per year to a provident fund until 2029. This contribution will be disbursed even if the appointment as a member of the Executive Board ends before the age of 62, unless Mr Wellner has not accepted an offer to extend his appointment on comparable terms. The obligation to pay contributions will also end in the event of Mr Wellner's death or occupational disability. As soon as Mr Wellner reaches the contractual age limit of 62 years and leaves the service of Deutsche EuroShop AG, the resulting pension amount will be granted either as a lifelong pension or as a lump-sum payment. The Company has committed to providing a company pension for Mr Borkers, for which it has been making contributions of €3,000 per year to a pension fund for the benefit of Mr Borkers since 1 July 2010. These contributions will continue to be paid until Mr Borkers

leaves the Company or until 31 December 2029 at the latest. As at 31 December 2021, the present value of the pension commitment for Mr Wellner was €175,000, while for Mr Borkers it was €47,000.

Variable remuneration

The variable remuneration components are based both on the achievement of annual targets and on the long-term performance of the Company. The short-term variable remuneration component and

the long-term variable remuneration component incentivise the performance of Executive Board members from different perspectives, over different performance periods and taking account of different performance criteria.

The performance criteria used as the basis for variable remuneration in financial year 2021 and their relevance to strategy are shown in the table below:

Performance criteria	Bonus	LTI	Relevance to strategy
Earnings before taxes (excluding measurement gains / losses)	x		Mapping of long-term operating success, which is reflected in the Company's ability to invest and pay dividends
Share price		x	Sustainable growth and increasing the value of the Company

Bonus

The bonus is based on a weighted average of the Group EBT (excluding measurement gains / losses) of the current and the two preceding financial years, whereby the EBT of the current financial year is weighted at 60 %, the EBT of the previous financial year at 30 % and the EBT of the financial year before that at 10 %.

	Year	Weighting
current financial year	2021	60 %
previous financial year	2020	30 %
financial year before that	2019	10 %

The amount of the bonus is calculated for Mr Wellner as 0.25 % of the weighted EBT and for Mr Borkers as 0.2 % of the weighted EBT, whereby the payouts are limited to €423,000 (€300,000).

	Payout factor	Cap in EUR k
Wilhelm Wellner	0.25 %	423
Olaf Borkers	0.20 %	300

In addition, the Supervisory Board can adjust the bonus on a case-by-case basis. To this end, the Supervisory Board assesses the Company's earnings and net assets and, in the event of deterioration, will make a corresponding adjustment to the bonus at its own discretion.

Long-Term Incentive Plan

The long-term incentive focuses on the long-term development of the enterprise value of Deutsche EuroShop AG. The currently applicable long-term variable remuneration was approved by the Annual General Meeting in July 2018 and expired at the end of the performance period on 31 December 2021.

The amount of the long-term variable remuneration is based on the development of the market capitalisation of Deutsche EuroShop AG over the performance period from 1 July 2018 to 31 December 2021. Individual payout factors have been defined for the Executive Board members, through which they participate proportionately in the increase in market capitalisation. For an increase in market capitalisation of up to €500 million, the payout factor is 0.10 % for Mr Wellner and 0.05 % for Mr Borkers. If the increase exceeds the value of €500 million, this share is additionally remunerated at 0.05 % for Mr Wellner and 0.025 % for Mr Borkers.

Market capitalisation is calculated by multiplying the volume-weighted average share price of the Company over the last twenty trading days by the number of Company shares issued.

Benefits in the event of premature termination of the employment contract

In the event that the employment contract is terminated prematurely by the Company without any good cause, the members of the Executive Board will be entitled to a severance payment in the amount of the annual remuneration outstanding up to the end of the agreed contractual term, but limited to an amount equivalent to a maximum of two basic annual remunerations plus bonus. For the measurement of the annual remuneration amount, the average annual remuneration for the previous financial year and the probable annual remuneration for the current financial year are applicable.

Application of the performance criteria and achievement of objectives

Bonus

For the bonus for financial year 2021, the weighted EBT is €129.9 million.

in EUR mn	EBT	Weighting	Weighted EBT
2021	125.6	60 %	75.3
2020	127.6	30 %	38.3
2019	163.1	10 %	16.3
			129.9

This results in the following payout amounts for the Executive Board members:

in EUR k	Weighted EBT in EUR mn	Payout factor	Amount paid out
Wilhelm Wellner	129.9	0.25 %	324.8
Olaf Borkers	129.9	0.20 %	259.8

Long-Term Incentive Plan

The long-term variable remuneration is determined by comparing the market capitalisation of the years 2018 and 2021. Using 1 July 2018 and 31 December 2021 as a basis, the average share price of the past twenty trading days is calculated and then multiplied by the number of shares issued in the financial years in question. The resulting market capitalisation values for the years 2018 and 2021 are compared with each other to reflect the development over the performance period.

On 31 December 2021, the market capitalisation of the Company stood at €890.4 million, which constitutes a reduction of €972.0 million versus the figure as at 1 July 2018. There will therefore be no payout from the LTI 2018.

in EUR mn	Market capitalisation
2018	1,862.4
2021	890.4
Change	-972.0

Long Term Incentive 2018	Payout factor	Additional payout factor	Change	Amount paid out
Increase in market capitalisation	≤ €500 mn	> €500 mn		
Wilhelm Wellner	0.10 %	0.050 %	-972.0	0 €
Olaf Borkers	0.05 %	0.025 %	mEUR	0 €

Malus and clawback rules

The applicable service contracts of the Executive Board members do not contain any specific malus and clawback rules. In financial year 2021, the Supervisory Board did not make use of the option to withhold variable remuneration components for the members of the Executive Board.

Remuneration granted and owed to members of the Executive Board

The table below shows the remuneration granted and owed in financial year 2021 for the active and former members of the Executive Board. For the active members of the Executive Board, the remuneration granted is hereinafter understood to mean the remuneration whose relevant performance period was completed in financial year 2021. Thus, for the variable remuneration components, the bonus 2021 and the Long-Term Incentive Plan with the performance period July 2018 – December 2021 are shown as remuneration granted. Pension expenses are not part of the remuneration granted.

Table 1: Remuneration granted and owed

Remuneration granted and owed	Wilhelm Wellner				Olaf Borkers				Claus-Matthias Böge (retired 2015)			
	2021	2021	2020	2020	2021	2021	2020	2020	2021	2021	2020	2020
	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share
Fixed remuneration	282	45 %	282	43 %	236	47 %	236	44 %	-	-	-	-
Ancillary benefit	21	3 %	22	3 %	3	1 %	3	1 %	-	-	-	-
Fixed income	303	48 %	304	46 %	239	48 %	236	45 %	-	-	-	-
Bonus 2021 (2020)	325	52 %	354	54 %	260	52 %	283	55 %	-	-	-	-
Long-Term Incentive Plan 2018	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Incentive Plan 2010	-	-	-	-	-	-	-	-	-	-	342 ¹	90 %
Pension payment	-	-	-	-	-	-	-	-	36	100 %	36	10 %
Total remuneration	628	100 %	658	100 %	499	100 %	522	100 %	36	100 %	378	100 %

¹ The former CEO Claus-Matthias Böge, who left the company in 2015, was granted remuneration under the Long-term Incentive Plan 2010 for the last time in 2020. The amount of this long-term variable remuneration was based on the positive change in the market capitalisation of the Company over a performance period of five years: from 1 July 2010 to 31 December 2015. Mr Böge received a 0.2 % share in any positive development of market capitalisation up to €500 million and an additional 0.1 % share in any increase in market capitalisation exceeding this amount. Payouts under the LTI are made in arrears in five equal annual instalments, starting on 1 January 2016.

The following pension expense was recorded for the active members of the Executive Board:

Table 2: Pension expense

In EUR k	Wilhelm Wellner		Olaf Borkers ¹	
	2021	2020	2021	2020
Pension expense	50	50	3	3

¹ The pension expense for Mr Borkers is also included in Table 1 under the item "Ancillary benefits".

No maximum remuneration has been agreed in the Executive Board contracts on which the remuneration is based.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

In accordance with Article 8 (4) of the Articles of Association, the Chair of the Supervisory Board receives annual remuneration of €50,000, the Vice Chair receives €37,500, and all other members of the Supervisory Board receive fixed remuneration of €25,000.

Members of the Supervisory Board who join or leave the Supervisory Board in the course of a financial year receive pro rata remuneration for the corresponding financial year.

In accordance with Article 8 (5) of the Articles of Association, members of the Supervisory Board are reimbursed for cash expenses incurred during performance of their duties. In addition, any sales tax incurred is reimbursed if the Supervisory Board members are entitled to invoice the Company separately for the sales tax.

The remuneration granted and owed to the Supervisory Board is constituted as follows:

Remuneration granted / owed to the Supervisory Board	2021			2020		
	Fixed remuneration		Total remuneration	Fixed remuneration		Total remuneration
	EUR k	%	EUR k	EUR k	%	EUR k
Reiner Strecker	50	100 %	50	50	100 %	50
Karin Dohm	37.5	100 %	37.5	37.5	100 %	37.5
Dr. Anja Disput	25	100 %	25	25	100 %	25
Henning Eggers	25	100 %	25	25	100 %	25
Dr. Henning Kreke	25	100 %	25	25	100 %	25
Alexander Otto	25	100 %	25	25	100 %	25
Claudia Plath	25	100 %	25	25	100 %	25
Klaus Striebich	25	100 %	25	25	100 %	25
Roland Werner	25	100 %	25	25	100 %	25

INFORMATION ON THE RELATIVE TREND OF THE REMUNERATION OF THE EXECUTIVE BOARD, THE REMUNERATION OF OTHER EMPLOYEES AND THE DEVELOPMENT OF THE COMPANY'S EARNINGS

The table below shows the trend of the remuneration for the members of the executive bodies in comparison with the development of the earnings of Deutsche EuroShop AG and the average remuneration of all employees in Germany on a full-time equivalent basis during the period 2017 to 2021.

The development of Deutsche EuroShop AG's earnings is shown on the basis of earnings before taxes.

	Change 2017 – 2018	Change 2018 – 2019	Change 2019 – 2020	Change 2020 – 2021
Remuneration of members of Executive Board				
Wilhelm Wellner	6.6 %	5.3 %	-7.5 %	-4.6 %
Olaf Borkers	1.3 %	2.5 %	4.8 %	-4.4 %
Claus-Matthias Böge ¹	0.0 %	8.8 %	1.6 %	-90.5 %
Remuneration of members of Supervisory Board²				
Reiner Strecker	0.0 %	0.0 %	-19.0 %	0.0 %
Karin Dohm	0.0 %	0.0 %	-19.0 %	0.0 %
Dr. Anja Disput ³	-	-	- ⁷	0.0 %
Henning Eggers ³	-	-	- ⁷	0.0 %
Dr. Henning Kreke	0.0 %	0.0 %	-19.0 %	0.0 %
Alexander Otto	0.0 %	0.0 %	-19.0 %	0.0 %
Claudia Plath ³	-	-	- ⁷	0.0 %
Klaus Striebich	0.0 %	0.0 %	-19.0 %	0.0 %
Roland Werner	0.0 %	0.0 %	-19.0 %	0.0 %
Beate Bell ⁴	0.0 %	- ⁷	-	-
Thomas Armbrust ⁴	0.0 %	- ⁷	-	-
Manuel Better ⁴	0.0 %	- ⁷	-	-
Earnings indicators				
Earnings before taxes of the Company ⁵	-7.5 %	42.4 %	-73.6 %	68.2 %
Group operating profit before measurement gains / losses and taxes ⁶	5.0 %	1.4 %	-21.8 %	-1.6 %
Remuneration of employees				
Employees in Germany	3.7 %	3.4 %	2.2 %	0.5 %

¹ On the Executive Board until 30 June 2015, grant under company pension plan since 2019, grant under LTI until 2020.

² Until 2019, the remuneration of the Supervisory Board members was paid with input tax included. From 2020 onwards, the remuneration was paid with input tax excluded due to ECJ rulings. Remuneration in accordance with the Articles of Association remained unchanged over the period under review

³ On the Supervisory Board since 12 June 2019

⁴ On the Supervisory Board until 12 June 2019

⁵ Separate financial statements of Deutsche EuroShop AG (HGB)

⁶ Voluntary additional information

⁷ No disclosure of changes due to joining or departure during the year

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE COMPENSATION REPORT PURSUANT TO SECTION 162 (3) AKTG

To Deutsche EuroShop AG, Hamburg

Audit opinion

We have formally audited the compensation report of Deutsche EuroShop AG, Hamburg, for the financial year from 1 January 2021 to 31 December 2021 to determine whether the disclosures pursuant to Section 162 (1) and (2) of the Aktiengesetz (AktG – German Public Companies Act) have been made in the compensation report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the attached compensation report complies in all material respects with the disclosures pursuant to Section 162 (1) and (2) AktG. Our audit opinion does not cover the content of the compensation report.

Basis for the audit opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG in consideration of the IDW auditing standard: Audit of the compensation report pursuant to Section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under said provision and standard is further described in the "Responsibility of the auditor" section of our report. As auditing practice, we applied the requirements of the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1). We complied with the professional duties pursuant to the Wirtschaftsprüferordnung (WPO – German Public Accountant Act) and in accordance with the professional statutes for auditors / chartered accountants, including the requirements regarding independence.

Responsibility of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board are responsible for preparing the compensation report, including the related disclosures, in compliance with the requirements of Section 162 AktG. Further, they are responsible for any internal control they deem relevant to the preparation of a compensation report, including related annexes, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in all material respects in the compensation report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the compensation report by comparing the disclosures made in the compensation report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the compensation report.

Dealing with misleading statements

In connection with our audit, we have a responsibility to read the compensation report in the light of knowledge obtained during the audit of the financial statements, and to remain vigilant for indications as to whether the compensation report contains misleading statements regarding the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures, or the fair presentation of the compensation report.

If, on the basis of the work we have carried out, we conclude that there is indication of such a misleading statement, we are obliged to report this. We have nothing to report in this regard.

Hamburg, 7 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

sig. Reese
Auditor

sig. Oleski
Auditor