



ADO Properties S.A.<sup>1</sup>

*Société anonyme*

1B Heienhaff, L-1736 Senningerberg

Grand Duchy of Luxembourg

RCS Luxembourg: B197554

(the “Company”)

**Remuneration policy of the Company as approved by the general meeting of shareholders on  
29 September 2020**

## 1. General Overview

### 1.1. Basis, validity and scope of the remuneration policy

This remuneration policy is drawn up in accordance with Luxembourg national legislation transposing the provisions of Directive (EU) 2017/828, namely the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies, as amended (the “**SHR Law**”) and any other applicable laws and regulations of the Grand Duchy of Luxembourg.

This remuneration policy has been approved by the board of directors of the Company (the “**Board**”) on 24 August 2020, upon the recommendation of the Nomination and Compensation Committee (the “**Nomination and Compensation Committee**”).

This remuneration policy has been presented to the advisory vote of, and approved by, the general meeting of shareholders of the Company on 29 September 2020. Notwithstanding that the vote of the general meeting on this policy is advisory only, all remuneration of the members of the Board requires approval of the general meeting.

Every material change to this remuneration policy shall be submitted to the advisory vote of the general meeting of shareholders. Regardless of whether or not there has been a change, a remuneration policy shall be presented to the general meeting of shareholders for an advisory vote, at least every four years.

An up-to-date version<sup>2</sup> of the remuneration policy can be found on the Company’s website at all times - [www.ado.properties](http://www.ado.properties).

The remuneration of the following officers<sup>3</sup> is described in this remuneration policy:

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<sup>1</sup> The name of Company and logo will be updated if and when the name of the Company is changed to ADLER Group S.A. by the extraordinary general meeting of shareholders of the Company to be held on 29 September 2020 or on such later date, if reconvened.

<sup>2</sup> An “up-to-date version” shall be construed as the version of the remuneration policy most recently approved by the general meeting of shareholders, or the version of the remuneration policy most recently approved by the general meeting of shareholders, as updated with non-material changes for which no approval by the general meeting of shareholders is necessary.

<sup>3</sup> The SHR Law refers to “*dirigeant*” when listing the persons for which a remuneration policy shall be established. “*Dirigeant*” is defined under article 1 (6) no 3 of the SHR Law, as “any member of an administrative, management, or supervisory body of a company as well as the chief executive officer (*directeur général*) and, if such a function exists within a company, the deputy chief

- members of the Board: (i) independent non-executive directors and (ii) executive directors (who may hold a parallel position as daily managers (*délégué(s) à la gestion journalière*) of the Company); and
- members of the senior management of the Company who hold the legal mandate of daily managers (*délégué(s) à la gestion journalière*) of the Company).

### **1.2. The remuneration policy and the big picture: sustainability, long term strategy and focus on fair payment and employment conditions**

The remuneration policy of the Company and the remuneration granted to members of the Board and committees, as well as the members of senior management shall at any and all times be in line with the Company's goal of sustainable long term growth and shall reflect such goal accordingly.

The Company's ambition to be and stay a leader, both in terms of size as well as quality of service and customer satisfaction, in the German residential real estate market shall be reflected in the remuneration of the members of the Board, committees and senior management. Only an attractive but reasonably structured remuneration package may allow the Company to retain, and further attract, people with the necessary drive, competencies, experience and expertise to facilitate the Company in reaching its short- and long-term goals.

Additionally, and no less important, this remuneration policy has taken into account the conditions of remuneration and employment of the Company's employees. The Company is structured in a way that a majority of its core employees and personnel with strategic responsibilities are directly employed by subsidiaries of the Company or companies belonging to the same group (the "**Group**") rather than the Company itself. Nevertheless, the Nomination and Compensation Committee (as defined below), after consultation with the Company's human resources department, ensures that the remuneration as set out in this remuneration policy and presented to the consultative vote of the annual general meeting of shareholders shall not be disproportionate to the compensation granted to the employees of the Company and the Group.

The Company pursues both the objective of attracting and retaining personnel with the level of professionalism and skills suited to the needs of the Company, and of providing an incentive to strengthen their commitment to improving the Company's performances, through personal satisfaction and motivation. As such, the Company follows the core principle that the remuneration granted to anybody within the Company, whether they are a director, a senior executive, or an employee, shall adequately reflect such person's level of responsibility and position in the Company.

The Company's and the Group's most valuable assets are its employees and they shall be compensated accordingly.

### **1.3. The role of the Nomination and Compensation Committee**

The Board seeks to ensure that the Company's remuneration arrangements are equitable and aligned with the long-term interests and sustainability of the Company and its shareholders. To this end, the Board has established a nomination and compensation committee (the "**Nomination and Compensation Committee**"), currently consisting entirely of independent members of the Board, and the purpose of which is to determine, revise and assist with the implementation of the remuneration policy of the Company, make proposals as to the remuneration of all members of the Board and senior management, and advise on any benefit or incentive schemes. It shall further assist the Board with identification of and recommendations in respect of candidates for the Board and the committees (noting that, except in case of a co-optation of a Board member in replacement of another Board member, all appointments to the Board require the approval of the general meeting of the shareholders). The

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executive officer (*directeur général adjoint*). Pursuant to such definition, the Company deems it appropriate that this policy shall cover the remuneration of members of the Board and daily managers (*délégué(s) à la gestion journalière*) of the Company.

Nomination and Compensation Committee shall furthermore assist with the preparation of any remuneration report of the Company.

The Nomination and Compensation Committee shall ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of (i) senior management such as, but not limited to, the two appointed chief executive officers (each a “Co-CEO” and together the “Co-CEOs”) and (ii) members of the Board, while complying with applicable rules and regulations. The Nomination and Compensation Committee and all members of the Nomination and Compensation Committee are required to adhere to and comply with (i) any and all applicable laws and regulations, (ii) the Company's rules of procedure for committees.

The members of the Nomination and Compensation Committee are appointed by the Board. The members have the relevant expertise and experience which is required to serve on such a committee.

The Nomination and Compensation Committee makes decisions by a simple majority with no member having a casting vote. The Nomination and Compensation Committee is chaired by Dr. Peter Maser, who is also the Chairman of the Board. The role and functioning of the Nomination and Compensation Committee is described in greater detail in the Company's rules of procedure for committees.

#### **1.4. Exceptional circumstances and limited possibility to derogate from the principles of the remuneration policy**

The Company, as well as the members of the Board, committees and senior management, pledge to abide by this remuneration policy insofar as doing so is in the best interests of the Company.

In exceptional circumstances, the Company may temporarily derogate from this remuneration policy. These exceptional circumstances cover situations in which the derogation from this remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

A deviation from this remuneration policy requires the prior approval of the Nomination and Compensation Committee who shall then submit a reasoned request for such derogation to the Board for approval. It is noted that any change in the amount of directors' remuneration would, in any case, require the approval of the general meeting of shareholders.

The remuneration report relating to the relevant financial year will include information on any derogation, including its justification.

#### **1.5. Transparency and handling of conflicts of interest in respect of remuneration**

The Company pledges to be transparent with respect to the remuneration granted to the persons falling within the scope of this remuneration policy and to abide by all applicable laws relating to the disclosure of such remuneration.

The Company has sought the advice from Kienbaum Consultants International, a reputable German human resources and management consultancy firm that has issued an extensive independent remuneration report, the results of which have largely influenced and contributed to the drafting and preparation of this remuneration policy.

Generally, the Company has established effective processes to avoid conflicts of interest and allowing members of the Board and daily managers to inform the Company of such potential conflicts of interest. The same is true in respect of the elaboration of this remuneration policy and the determination and granting of remuneration and compensation in general.

To guarantee a fair and independent assessment of all aspects related to remuneration (including, in particular, the drawing up of this remuneration policy), the Nomination and Compensation Committee shall, to the extent possible, be composed entirely, at all times, of independent non-executive directors,

as is the case at the date of adoption of this remuneration policy. As regards any potential conflict of interest arising from the fact that the Nomination and Compensation Committee must consider the remuneration of its own members, it is noted that the final decision on such remuneration is adopted by the Board, of which the members of the Nomination and Compensation Committee are only a minority.

## **2. Overview of Board remuneration**

### **2.1. Contracts and arrangements with members of the Board**

The articles of association of the Company (the “**Articles**”) provide that members of the Board are elected by the general meeting of shareholders by a simple majority of votes cast for a duration that may not exceed six years. Any director may be removed at any time with or without cause, without need for prior notification, by the general meeting of shareholders by a simple majority of votes cast.

A member of the Board that has resigned or has been removed by a valid decision of the general meeting of shareholders of the Company shall have no claim against the Company as a consequence of the termination of his mandate.

In the event that a vacancy arises on the Board for any reason, the remaining members of the Board may, by a simple majority, fill such vacancy and appoint a successor to act until the next general meeting of shareholders.

Neither the removal of a member of the Board by a valid decision of the general meeting of shareholders nor the resignation by a member of the Board shall, in principle, automatically lead to the termination of any other positions or mandates that the removed or resigning member of the Board may hold within the Company or any subsidiary of the Company.

The relations between members of the Board and the Company are not governed by any specific contractual arrangements. Instead, such relations are embodied by non-written mandates, governed by the Articles, the general Luxembourg Civil Code provisions on mandates (Art. 1984 et seq.), the Luxembourg law of 10 August 1915 on commercial companies, as amended (the “**1915 Company Law**”) and any other applicable laws.

Executive directors who also hold a parallel senior management position may from time to time enter into service agreements in respect of such position and in respect of their positions as daily managers (*délégué(s) à la gestion journalière*).

### **2.2. Remuneration structure for members of the Board**

The remuneration structure for the members of the Board is submitted each year to the annual general meeting for shareholder approval.

Board remuneration is based on annual fees comprising a basic fixed remuneration, to which additional fees are added for each attendance at a meeting of the Board.

The chairman of the Board as well as the vice-chairman of the Board shall be entitled to a higher basic fixed remuneration than the other members of the Board, in accordance with market standards.

As a general rule, in order to ensure sound corporate governance and to avoid the arising of any potential conflicts of interest, members of the Board shall not receive any variable remuneration for their role as directors of the Company.

Members of the Board shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as directors of the Company, upon presentation of proof of payment by the member of the Board of such incurred costs.

The remuneration structure is reviewed periodically or on an as-needed basis by the Nomination and Compensation Committee, which makes recommendations to the Board taking into consideration

benchmarks against peer companies (e.g. companies of a similar size and structure competing in the same or very similar industries and markets) to attract and retain high-quality and experienced directors.

### **2.3. Committees established by the Board**

The Board has established certain committees, (an audit committee, an ad hoc committee and the Nomination and Compensation Committee), and may in the future establish further committees, if deemed necessary.

The Board has appointed certain directors to these respective committees and may, in the future, appoint further directors to each of the established or the to-be-established committees. Each of the established committees shall be chaired by a chairman, who, if also a member of the Board, shall be entitled to an annual fixed remuneration.

Attendance at a meeting of one of the established or future committees shall entitle each member (if such member is a director) of such committee to an attendance fee.

Members of each existing or future committee shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as members of a duly established committee, upon presentation of proof of payment by the member of the respective committee of such incurred costs.

As with Board remuneration, the committee remuneration structure is reviewed periodically or on an as-needed basis by the Nomination and Compensation Committee, which makes recommendations to the Board taking into consideration benchmarks against peer companies (e.g. companies of a similar size and structure competing in the same or very similar industries and markets) to attract and retain high-quality and experienced directors.

For the avoidance of doubt, membership of any of the established or future committees shall be embodied by a non-written mandate and governed by the Articles, the general Luxembourg Civil Code provisions on mandates (Art. 1984 et seq.), the 1915 Company Law and any other applicable laws.

## **3. Overview of senior management remuneration**

### **3.1. Legal and contractual framework for the senior management**

Members of the Company's senior management may (but shall not necessarily) also hold the mandate of daily managers under the 1915 Company Law, who are entrusted with the day-to-day management (*gestion journalière*) of the Company.

Members of the senior management are appointed and dismissed by the Board. Members of senior management may only act on behalf of the Company within the limits of the authority granted to them by the Board.

The members of the senior management who are appointed as daily managers (*délégué(s) à la gestion journalière*) have fixed term service agreements for their roles as daily managers and for their respective positions as members of senior management (e.g. currently Co-CEOs), which shall, in principle, run for periods between 3 and 4 years, terminate automatically on the end date, but are renewable (the "**Service Agreements**"). The Service Agreements contain notice periods of 90 calendar days.

The Co-CEOs have not concluded, or entered into, employment contracts with the Company.

The Company does not provide for specific early retirement schemes. The Company does however provide reasonable payments linked to termination of the Service Agreements of senior management who are appointed as daily managers beyond what is required by national legislation.

### **3.2. Scope of the senior management remuneration policy**

This remuneration policy shall apply to the Co-CEOs who have been appointed as daily managers and other members of senior management, if also appointed as daily managers; such persons hereafter referred to as “senior executives”:

### **3.3. Remuneration philosophy as regards the senior management**

The Company's remuneration philosophy for its senior executives is based on the following principles:

- Provision of a total remuneration competitive with executive remuneration levels of a peer group composed of a selection of German real estate companies of a similar size and scope;
- Encouraging and rewarding of performance that will lead to long-term and sustainable enhancement of company and shareholder value;
- Promotion of internal pay equity and provision of "market" median (determined by reference to its identified peer group) base pay levels for the Company's senior executives.
- Performance evaluation based on a set of pre-agreed non-quantifiable and quantifiable objectives.
- At an individual level determination of bonuses depending on the Company's financial performance and the individual performance.

### **3.4. Remuneration framework of the senior management**

Proposals for the remuneration packages of the senior executives (both for current and future candidates) developed by the Nomination and Compensation Committee for the Board include the following components:

- an annual base compensation;
- short-term incentives as well as short-term targets and potential short-term incentive bonuses (“**STI-Bonus**”); and
- long-term incentives as well as long-term targets and potential long-term incentive bonuses (“**LTI-Bonus**”).

STI-Bonuses and LTI-Bonuses will be distributed to the senior executives only upon termination of the respective calculation periods, which are provided for in the respective senior executive's Service Agreements with the Company. The STI-Bonus and LTI-Bonus payments to be distributed to the senior executives will depend on the individual achievements taken into account for the calculation of the STI-Bonus and LTI-Bonus.

In case of termination by the Company of the Service Agreement entered into between the Company and a senior executive, for any reason other than for reasons for which the senior executive is responsible, the latter shall be entitled to receive an STI-Bonus and LTI-Bonus in accordance with the conditions set out for such scenario in the Service Agreement.

The total remuneration target of senior executives is structured to attract and retain talented and capable senior executives; the amount of the remuneration received is dependent on the achievement of the business and individual performance and on generating sustained shareholder value from relative performance.

The achievement of the various targets for the STI-Bonus and LTI-Bonus will be initially assessed and determined by the finance department of the Company, and then submitted for consideration of the Nomination and Compensation Committee who will issue a recommendation to the Board on same. To the extent considered necessary by the Company's finance department, the Nomination and Compensation Committee or the Board, the target achievements may be submitted for review and validation by an independent statutory auditor (*réviseur d'entreprises agréé*).

### **3.4.1. Annual base compensation**

*The aim of the annual base compensation is to attract and retain high-quality and experienced senior executives.*

Each senior executive is entitled to receive an annual base compensation to be paid in 12 equal instalments at the end of each calendar month. The annual base compensation for each senior executive is determined by the Nomination and Compensation Committee on the basis of a market analysis in respect of remuneration paid by a selected group of peers.

### **3.4.2. Short-term incentives**

*The aim of the short-term incentives is to motivate senior executives to achieve certain determined measurable and non-measurable targets.*

STI-Bonus calculations for each senior executive reflect the performance of the Company.

- no STI-Bonus will be triggered if the compound achievement level of the target objectives is less than the threshold of 50%;
- a compound achievement of 100% or above of the target objectives generates a maximum STI-Bonus pay-out.

Achievements of target objectives between the 50% minimum threshold and the 100% maximum threshold will entitle the senior executive to an STI-Bonus payment linearly determined between the minimum and maximum STI-Bonus amounts respectively.

For the avoidance of doubt, any achievements above the 100% maximum threshold shall not entitle the senior executive to any amounts in addition to the maximum STI-Bonus pay-out.

The concrete quantified target objectives related to the measurable short-term incentive targets shall be decided by the Board on the basis of historical financial data, the Company's budget and budget predictions as well as the financial outlook, which shall be presented to it in the beginning of each financial year.

For the senior executives, unless determined otherwise by the Board, the measurable short-term incentive targets are composed of:

<b>Variable*</b>	<b>Weighting</b>
Funds from the operations per share – FFO 1	30%
Net rental income	30%
Residential vacancy rate	30%

*\*As regards any key performance indicator which is calculated on a per share basis, such calculations shall be based on the weighted average number of shares over the relevant period.*

Additionally, for the senior executives, unless determined otherwise by resolution of the Board, the non-measurable portion of the short-term incentive plan is decided in the discretion of the Board (weighting – 10%).

It is to be noted that, by resolution of the Board, the above indicated weightings may be adjusted in case one or several variables become obsolete or inappropriate in certain situations. An example where such adjustment may be decided upon by the Board could be a macroeconomic crisis, but during which the senior executives have shown above average leadership qualities, and through which they have guided the Company in the best possible way. Indeed, in respect of the financial years 2019 and 2020, the Board have agreed that, exceptionally, the first variable shall be adjusted so that the FFO 1 shall not be on a per share basis. The reason for this exception was that at the time of setting the targets, for 2019/2020, it was not feasible to determine the amount of shares which would be in issuance by the

end of 2020, due to anticipated capital increases; the number of shares to be issued being linked to the share price.

### **3.4.3. Long-term incentives: share-based incentives**

*The aim of the long-term incentives is to motivate senior executives to achieve certain determined individual targets.*

LTI-Bonus calculations for each senior executive reflect the performance of the Company.

- no LTI-Bonus will be triggered if the compound achievement level of the target objectives is less than the threshold of 50%;
- a compound achievement of 100% or above of the target objectives generates a higher performance bonus pay-out.

Achievements of target objectives between the 50% minimum threshold and the 100% maximum threshold will entitle the senior executive to an LTI-Bonus payment linearly determined between the minimum and maximum LTI-Bonus amounts respectively.

For the avoidance of doubt, any achievements above the 100% maximum threshold shall not entitle the senior executive to any additional amounts to the maximum LTI-Bonus pay-out.

The concrete quantified target objectives related to the measurable long-term incentive targets shall be decided by the Board on the basis of historical financial data, the Company's budget and budget predictions, the financial outlook, as well as current and historical developments of the relation between the Company's share price and the EPRA Germany index and any other information deemed to be necessary for the Board to take a decision in this respect, which shall be presented to it in the beginning of each financial year.

For the senior executives, unless determined otherwise, the measurable long-term incentive targets are composed of:

<b>Variable*</b>	<b>Weighting</b>
development of the NAV (net asset value) per share as being targeted by the Board	50%
development of the Company's share price in relation to the EPRA Germany index	50%

*\*As regards any key performance indicator which is calculated on a per share basis, such calculations shall be based on the weighted average number of shares over the relevant period*

Subject to certain conditions, in the event of extraordinary events that result in a significant change of the LTI parameters, the Board may adjust each long-term incentive target to reflect such events. Indeed, in respect of the financial years 2019 and 2020, the Board have agreed that, exceptionally, the first variable shall be adjusted so that the development of the NAV (net asset value) shall not be on a per share basis. The reason for this exception was that at the time of setting the targets, for 2019/2020, it was not feasible to determine the amount of shares which would be in issuance by the end of 2020, due to anticipated capital increases; the number of shares to be issued being linked to the share price.

The LTI-Bonus granted to the senior executive shall be settled in shares of the Company (if the Company can issue said shares) or in cash (if the Company cannot issue shares).

If paid in shares, the amount of the shares to be paid shall be equal to the achieved volume of the LTI-Bonus divided by the Company's share value calculated as at the average closing price over the last 90 trading days prior to the termination date of the relevant Service Agreement/relevant payout date.



While there is a possibility of a payout under the LTI in the form of shares, the LTI is not a share option scheme. Therefore, there is no “vesting period” within the meaning of the SHR Law. However, the achievement of the LTI targets for each financial year will be assessed at the close of such financial year and the corresponding LTI-Bonus entitlement will be determined at that time. The LTI-Bonus shall be distributed to the senior executive at termination of the relevant Service Agreement (or shortly before the final termination date, if necessary, due to applicable corporate law requirements for the issue of free shares). There are no contractual retention periods imposed on the senior executives in respect of shares, which they may receive as an LTI-Bonus.

#### **3.4.4. Discretionary Bonus**

In addition to the STI-Bonus and LTI-Bonus, the Board may, in its reasonable discretion, grant senior executives an additional bonus for outstanding performances without a prior agreement. A legal claim to such a discretionary bonus does not exist.

#### **3.4.5. Other Benefits**

In addition to the primary elements of compensation described above, other benefits may be provided to senior executives, such as, *inter alia*, rental allowances, company cars, private health insurance and other insurance policies, which will be in line with relevant local market and peer-group practices.

The Nomination and Compensation Committee shall ensure that the above listed other benefits that may be provided to senior executives are of a reasonable nature, scale and scope.

Senior Managers shall be entitled to reimbursement by the Company of any reasonable costs incurred within the scope of their duties as senior executives of the Company, upon presentation of proof of payment by the senior executive of such incurred costs.