

IMMOFINANZ AG („IMMOFINANZ“)

Supervisory Board
Wienerbergstraße 9
1100 Vienna

London, 1 October 2021

Dear members of the Supervisory Board,

Petrus Advisers stands for highest ESG¹ standards. Our focus lies primarily on governance and environmental as only fair and sustainable business practices can be profitable in the long-term. Over the past years, we have consistently raised concerns about corporate governance practises at IMMOFINANZ and demanded improvements. Too little has happened. The horrid standards of your governance are reflected in the continued relatively low valuation of the stock². As an actively engaged anchor investor, we analyse our portfolio companies' ESG practices on a regular basis with our proprietary ESG framework. Given the central role that compliance with high ESG standards plays for your equity story, we would like to draw your attention to shortcomings and opportunities that we have identified.

Environmental – Dramatically more focus is needed

Petrus Advisers support the Paris Agreement and with it Net Zero 2050. Depending on the source, the European real estate sector is responsible for an estimated 30% to 40% of all CO2 emissions. From an environmental and, in particular, CO2 emissions perspective, IMMOFINANZ thus operates in one of the most relevant sectors of all. As a leading provider of office and retail real estate in Europe, IMMOFINANZ must proactively focus on this topic.

So far, the necessary focus has been lacking. While IMMOFINANZ has started to work on certain environmental issues, it is far behind the industry leaders. The company justifies this with flimsy arguments such as internal restructuring or the fact that Austria has been pursuing the goal of CO2 neutrality only since 2020. The responsibility for CO2 emissions is often passed on to the tenants³. Tangible ESG and especially decarbonisation goals are missing. Neither in real estate operations nor in real estate development do you appear to be able to articulate a path toward Net Zero 2050.

You must come out of hibernation. We expect IMMOFINANZ to make a commitment to climate neutrality as soon as possible and to substantiate it with credible and ambitious quantitative targets and milestones.

Governance – It is time for a clean-up

The governance track record of IMMOFINANZ is appalling:

- Executive Board without female representation;
- Supervisory Board dominated by men;
- Scandalous appointment of Ronny Pecik as CEO despite lack of qualifications, massive existing conflict of interest as well as his complete refusal to do any work;
- Repeated dubious handling of the simplest corporate transactions, as for example the investments in S IMMO and CA IMMO or the capital increase by S IMMO. The amateurish interlocking efforts never commanded

¹ *Environmental, Social and Governance.*

² *Per 27 September 2021, IMMOFINANZ traded at a discount to EPRA NAV/NTA of 29% vs. 11% for CA Immo, 25% for S Immo and 9% for Alstria.*

³ *“Energy efficiency does not only depend on the building. In the properties managed by IMMOFINANZ, energy consumption is instead strongly driven by tenant behaviour and therefore lies to a large extent within their responsibility” (Page 11, 2020 Sustainability Report).*

majority support among your shareholders nor the shareholders of the other side and were also not approved by research analysts⁴;

- Renewed failure of the S IMMO merger/takeover – which in the eyes of the capital market was the climax of management’s lack of professional behaviour and ability to take decisions;
- Wrong incentivisation of the IMMOFINANZ executives. The questionable transaction bonuses, in particular, have repeatedly tempted people to embark on value-destroying merger attempts.

We call for a fresh restart for IMMOFINANZ with enhanced governance practices and more transparency after the departure of Ronny Pecik. Since June, no step has been taken in the right direction and we shareholders are still waiting to see how the company will be managed in the future.

Social – Fair compensation is the absolute minimum requirement

Looking at social factors, we have primarily noticed the gender-pay-gap, which at greater than 30%⁵ is substantially higher compared to peers. We demand a reduction of the pay-gap as soon as possible to ensure fair treatment of all employees.

ESG & Remuneration – Quantitative targets and higher relevance

Your remuneration policy mirrors IMMOFINANZ’s lack of ESG focus. Unfortunately, ESG targets are just a sub-category of „Individual and Stakeholder Targets“. Combined with „Individual Performance“ and „Major Projects“, ESG targets account for a mere 20% of the short-term incentive plan. Quantitative targets are not mentioned in the remuneration report⁶. The long-term bonus is in no way linked to ESG targets. We demand the urgent development of quantitative targets that are given higher weighting in both short- and especially long-term remuneration.

Your ESG credibility is currently zero! We therefore call for an active strategy for IMMOFINANZ to become an ESG leader, and we hold you personally accountable for setting the right direction. The CEO succession must be resolved as quickly as possible with a personality that has strong ESG expertise so that the urgently needed ESG strategy (incl. carbon neutrality) can be developed and implemented. This must be accompanied by a sustainable remuneration policy.

Best regards,



Klaus Umek
Managing Partner



Till Hufnagel
Partner

Attachment: ESG comparison of DACH and CEE office real estate players

⁴ *“Immofinanz again failed to take over an Austrian competitor, this time S Immo. However, neither we nor the market see this as a missed opportunity; in fact, the opposite is the case” (Erste Group Research, 30 Jul 2021).*

⁵ *Refers to management as well as non-management employees, 2020 data (Page 30, 2020 Non-financial Statement).*

⁶ *As examples, IMMOFINANZ just mentions the following categories: milestones in sustainable construction projects, carbon reduction, or customer satisfaction (Page 9, 2020 remuneration report).*