3rd Amendment of the Remuneration Policy of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt.
(consolidated with the amendments)

the amendment is highlighted with bold italics, ~~the deleted text is strikethrough~~

BIF

I. The purpose, subject matter, personal scope and term of the Remuneration Policy

<u>The purpose of the Remuneration Policy:</u>

Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and Amending Certain Laws for Regulatory Harmonization Purposes (the "Act"), which requires public companies limited by shares to draw up and mandatorily apply a remuneration policy, took effect on 17 July, 2019. Pursuant to the Act, the remuneration policy shall be adopted in year 2020 and applied in the subsequent business year, i.e. 2021 for the first time. Pursuant to Section 16, paragraph 5 of the Act, persons employed in director positions as defined in the Act may be paid any remuneration only based on the remuneration policy put to a non-binding vote at the general meeting in accordance with Section 3:268, paragraph (2) of Act V of 2013 on the Civil Code (the "Civil Code"); accordingly, the Board of Directors of Budapesti Ingatlan Hasznosítási és Fejlesztési Nyrt (the "Company" or "BIF") shall put this remuneration policy (the "Remuneration Policy") to a non-binding vote by the 2020 annual ordinary general meeting of the Company.
In addition to ensuring compliance with the said Law, the purpose of the Remuneration Policy is to consolidate the system, conditions and practice of the remuneration of persons employed in Director positions and to appropriately encourage the members of the senior management to implement the strategy of the Company, with consideration to the risk tolerance of the Company and rewarding the attainment of strategic goals with short-term and long-term incentives.

<u>The subject matter of the Remuneration Policy:</u>

The Remuneration Policy contains the rules relevant to acknowledging and encouraging the performance of persons employed in Director positions as defined by the Law and the mandatory elements of remuneration policies under the Act.

<u>The personal scope of the Remuneration Policy:</u>

The Remuneration Policy shall apply to the following persons employed in director positions as defined by the Law ("Directors"):
- the members of the Board of Directors or the Audit Committee of the Company;
- CEOs,
- Deputy CEO(s)

<u>The term of the Remuneration Policy:</u>

The Remuneration Policy shall be applied from the business year 2021 on in compliance with the provisions of the Act.

II. The elements of the Remuneration Policy

1. Remuneration of the members of the Board of Directors and the Audit Committee

The remuneration payable in the given business year to the members of the Board of Directors of the Company in connection with their position and responsibilities as Board if Directors' members, including the fixed and variable items of such remuneration, as well as the forms of any bonuses and other benefits which may be provided shall be determined by the annual ordinary general meeting of the Company, with the addition that the related benefits include the provision of the prestige company car and company mobile for both unlimited personal and business use in Hungary or abroad to the Chairman of the Board of Directors.

This provision shall not apply to the reimbursement by the Company of any costs reasonably and verifiably incurred by the individual Board of Directors' members in connection with their attending the Board of Directors' meetings or their position and responsibilities as Board of Directors' members.

The remuneration payable in the given business year to the members of the Audit Committee of the Company in connection with their position and responsibilities as Audit committe''s members, including the fixed and variable items of such remuneration, as well as the forms of any bonuses and other benefits which may be provided shall be determined by the annual ordinary general meeting of the Company.

This provision shall not apply to the reimbursement by the Company of any costs reasonably and verifiably incurred by the individual Audit Committee's members in connection with their attending the Audit Committee meetings or their position and responsibilities as Audit Committee's members.

The Board of Directors' or Audit Committe's members in such capacities shall not receive any performance-based remuneration (at the time of this Remuneration Policy being put to a non-binding vote by the general meeting).

2. Incentive scheme for senior managers

Incentives are determined according to the following key principles: the remuneration of senior managers (the CEOs and the deputy CEO(s) of the Company) (hereinafter any of them individually: the "Senior Manager" and collectively: the "Senior Managers") shall be in accordance with and promote the strategic goals of the Company with due regard to the risk tolerance of the Company and effectively contribute to an accordance with shareholders' interests.
The Remuneration Policy was designed with consideration to the salaries and terms of employment of the Company's employees, in that the individual elements of the Remuneration Policy shall not be disproportionate compared to the total amount of wages paid to employees and that they shall match the terms of employment applied at the Company (including but not limited to annual benefits related to wages and performance-based payments).

Elements of the remuneration of Senior Managers, short-term and long-term incentives:
(i) Annual base salary and related benefits – fixed annual salary and other related benefits;
(ii) Short-term incentive ("Bonus") – annual bonus provided in the form of cash payment based on individual and company performances;
(iii) Long-term incentive ("Share Incentive Scheme") – the option to purchase Company shares at a preferential price to promote strategic goals.

2.1. Annual base salary and related benefits

The annual base salary of Senior Managers and the related benefits are determined in the employment contracts of the Senior Managers. The system and amount of related benefits shall be governed by the Company policies, as may be in effect from time to time. Related benefits may include the provision of a status company car and a company mobile for both personal and business use to Senior Managers.

2.2. Short-term incentive scheme

The Bonus shall be determined based on the annual base salary. The rate of the Bonus may be determined individually between 50% and 100% of the annual base salary of the Senior Manager, provided that the Board of Directors decides to pay Bonus to the Senior Manager, after having evaluated the performance of the Senior Manager, based on the recommendation of, i.e. the individual bonus allocation (the "Bonus Allocation") prepared and adopted by, the Audit Committee. The precise rate of the Bonus shall be determined based on the evaluation of the performance of the Senior Manager.
The percentage bracket provided above was specified with regard to the salaries and terms of employment of the Company's employees and the Senior Managers' impact on the attaining of the Company goals.

The short-term incentive scheme is to meant to encourage Senior Managers to strive at attaining the corporate and individual objectives to be realized in a year to promote the strategic goals of the Company.

The short-term incentive scheme was designed in a manner that the "deferral period" or the "reclaiming" of the Bonus as formulated in the Act shall not be applicable in the framework of this policy.

2.2.1. Performance indicators in the short-term incentive scheme

A. Financial performance indicators

Stable profitability and creating a balance structure maximising shareholder value are among the priority objectives of the Company. Accordingly, the following financial performance indicators have been determined for Senior Managers:

- Group level EBITDA,
- ***Ratio of the value of the real estate portfolio to the consolidated balance sheet total*** ~~Value of investment properties~~,
- Group level debt / equity ratio.

The specific target values of the financial performance indicators applicable to the business year subject to the evaluation (the "Business Year") shall be determined by the Audit Committee based on the business plan approved by the Board of Directors for the Business Year of the Company (the "Business Plan"), in 30 days of the approval of the Business Plan by the Board of Directors.

B. Non-financial performance indicators

In addition to financial objectives, the issues of safety, health preservation and environmental protection are also treated as high priorities by the Company, with an emphasis on the aspects of social responsibility in its operation. The specific non-financial performance indicators relevant to the given Business Year and the quality requirements concerning the work of the given managers shall be determined by the Audit Committee in the Bonus Allocation based on the priorities listed above.

2.2.2. The outcome of the short-term incentive scheme

The Board of Directors may decide to pay advance bonus at the end of the Business Year (in December of the Business Year, at the recommendation of the Audit Committee, depending on the preliminary assessment of business results), in an amount of no more than 40% of the maximum Bonus.
The Audit Committee shall evaluate the performance of the Senior Managers concerned as part of its annual evaluation and make a proposal as to the payment of a Bonus to them with consideration to the financial and non-financial performance indicators defined in paragraph 2.2.1 as a whole, which shall be approved by the Board of Directors ("Annual Evaluation"). The Annual Evaluation shall take place and the relevant decision of the Board of Directors shall be made in 30 days after the general meeting concluding the Business Year. The Company shall provide for the payment of the Bonus approved by the Board of Directors on or before the 45th day following the general meeting concluding the Business Year, with consideration to any advance paid.

2.3. Long-term incentive scheme

The long-term incentive scheme of Senior Managers is based on the option to purchase Company shares at a preferential price. This incentive is meant to achieve that Senior Managers should keep striving at increasing share prices, thus harmonising the goals of the senior management with long-term shareholders' interests.

The long-term incentive scheme was designed in a manner that the "deferral period" as formulated in the Act shall not be applicable in the framework of this policy.

2.3.1. Terms and conditions of Share Allocation

- Share Allocation is a share-based incentive of a term of three years. This objective concerns the change to the prices of the ordinary shares issued by the Company (the "Shares") in the course of the Business Year compared to the change to the prices of real estate investment trusts listed on Budapest Stock Exchange and the official index of Budapest Stock Exchange (BUX index) (the "Price Change").
- The Company shall allocate shares at a preferential price from its own portfolio of shares all times.

- The Board of Directors shall decide on the application of Share Allocation based on the evaluation of the Price Change, at the recommendation of the Audit Committee, in connection with the Annual Evaluation, no later than in 30 days after the general meeting concluding the Business Year. The Board of Directors shall determine the conditions of and the settlement rules applicable to Share Allocation in respect of the Business Year at the recommendation of the Audit Committee, as part of the annual review of the Remuneration Policy.

2.3.2. Settlement rules

- In the course of a Share Allocation approved by the Board of Directors, the CEOs may initiate the purchase of no more than R1, whereas the deputy CEO(s) may initiate the purchase of no more than R2 Shares at a preferential price through a sales (stock exchange or OTC) transaction (the “Transaction”) in 45 days following the approval.
  - The maximum number of shares (R1 and R2) subject to the Share Allocation shall be calculated as the quotient of 50% of the annual gross base salary of the Senior Manager concerned and the closing price of the Shares on the stock exchange trading day preceding the value date of the Transaction. The values of R1 and R2 shall be calculated by the Company.
- The preferential price applicable to the Share Allocation shall be 70% of the average of the stock exchange[1] prices of the Shares in the period of 180 days before the value date of the Transaction (the “Preferential Price”). The average price shall be calculated by the Company.
- Senior Managers may not sell the Shares purchased through the Transaction for a period of 3 years following the value date of the Transaction (“Retention Period”), however, they may freely dispose of the dividend paid by the Company during the Retention Period as well. After the expiry of the Retention Period, Senior Managers may freely dispose of the Shares purchased.
  - In the event of the termination of the employment of the Senior Manager during the Retention Period (whether initiated by the Senior Manager or the Company), the Company shall be entitled to purchase back the Shares subject to Share Allocation at the Preferential Price as part of a stock exchange or OTC transaction. Should the Company exercise such right of repurchase, the Senior Manager concerned shall be obliged to sell the Shares allocated to him/her by the Company.

3. The term of the contracts concluded with Directors concerning employment or the performance of responsibilities relevant to the position or any remuneration related to the foregoing, the applicable notice period, the major characteristics of supplementary pension or early retirement schemes, the conditions of the termination of the employment and payments due in the event of termination

3.1. The members of the Board of Directors

The members of the Board of Directors shall be elected by the general meeting of the Company for a definite period and they may resign or be removed from such position any time.

Board of Directors’ members shall not perform their responsibilities arising from such position in the form of employment.

3.2. The members of the Audit Committee

The members of the Audit Committee shall be elected by the general meeting of the Company from the independent members of the Board of Directors for a definite period and they may resign or be removed from such position any time.

[1] *The arithmetical mean calculated based on the daily closing prices published on the website of Budapesti Értéktőzsde Zrt. (www.bet.hu)clo.*

3.3. Chief Executive Officers

The employment contracts with the CEOs are concluded for a definite term and may be terminated with 3 months' notice. All other conditions of termination, as well as the payments due in the event of termination have been determined in compliance with the provisions of Act I of 2012 on the Labour Code (the "Labour Code"). The employment contracts concluded with the CEOs do not contain any provisions as to the supplementary pension or early retirement schemes.

3.4. Deputy CEO(s)

The employment contract with the deputy CEO(s) is concluded for an indefinite term. All other conditions of termination, as well as the payments due in the event of termination have been determined in compliance with the provisions of the Labour Code. The employment contract concluded with the deputy CEO(s) does not contain any provisions as to the supplementary pension or early retirement schemes.

4. The creation, review and implementation of the Remuneration Policy

The remuneration policy of BIF shall be prepared by the Audit Committee. The Audit Committee shall also review the remuneration policy on an annual basis in accordance with the relevant provisions of the Act and make a proposal to the Board of Directors regarding the Remuneration Policy to be applied in the next business year. The Board of Directors shall approve such proposal and put the same to a non-binding vote by the annual general meeting of the Company.
The final responsibility for the implementation of the Remuneration Policy shall rest with the Board of Directors, assisted by the Audit Committee.

The independence, composition and the regulated, transparent operation of the Audit Committee ensure that shareholders' interests may be properly enforced and any conflict of interests may be avoided in respect of the Remuneration Policy.

<u>Rules governing deviations from the Remuneration Policy</u>

The Company may deviate from individual elements in the Remuneration Policy in exceptional cases to retain key Directors, with consideration to the practices on the local labour market. Deviations from the target values of the short-term or the long-term incentive schemes are also permitted in the event of any change to the applicable legal rules and/or the market conditions following the definition of the scheme which may have a material, objective impact on the profit or loss of the Company or the attainment of the target values set.

Deviation from the Remuneration Policy is possible based on the relevant preliminary, duly justified proposal of the Audit Committee, following its approval by the Board of Directors, in the scope and with the content specified in the relevant Board of Directors' resolution.