



Information on the Remuneration Policy and Remuneration Practice in Accordance with § 37 KAGB

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CONTENTS

Contents **2**

Background **3**

1 General information **4**



BACKGROUND

On 22 March 2013, BaFin published an information sheet on the authorisation procedure pursuant to § 22 KAGB, in which the required information on the remuneration policy and remuneration practice pursuant to § 37 KAGB is explained under point 8.

According to the information sheet, the specific requirements of the 'Guidelines on sound remuneration policies under the AIFMD' (Remuneration Guidelines) published by ESMA on 11 February 2013 must be observed by AIFMs as part of their remuneration practices.

According to these guidelines, the company must provide at least the following information on its remuneration policy and remuneration practices when applying for authorisation for sound remuneration policies in accordance with the AIFM Directive:

- A list of the employees (groups of employees) who fall within the scope of the company's remuneration policy and remuneration practices; stating the employee's functional position is sufficient for this purpose,
- a description of the structure of the variable and fixed remuneration (e.g. details of the underlying parameters),
- an indication of whether a remuneration committee is established and, if not, the reasons for not establishing one

The remuneration policy and practice of HIH Invest Real Estate GmbH (HIH Invest for short) is therefore described below.



1 GENERAL INFORMATION

HIH Invest is not bound by collective labour agreements and does not have a works council. Employee remuneration is generally freely negotiated and contractually agreed and consists of a fixed basic salary and, in individual cases, a variable remuneration component (discretionary bonus). In individual cases, one-off and voluntary special payments are granted for special individual performance or extraordinary expenses.

The basic salary is paid in 12 monthly instalments. The bonus is determined in a coordinated top-down process in the first quarter of a calendar year by the Management Board (in consultation with the shareholder) using equitable judgement and is generally paid out with the March payroll.

The criteria for any necessary fixed salary adjustment and for the specific amount of the discretionary bonus include the performance of the individual employee and the respective area of business, an analysis of satisfaction or a potential risk of departure (including consideration of the internal or external availability of a replacement), the length of service and the historical salary development of the individual employee.

The agreed remuneration and the basic system are reviewed on an annual basis in the first quarter of each calendar year. The aim of the review is to compare the salary structure of comparable employee positions, to scrutinise remuneration in line with the market and thus to analyse the optimum effect of the remuneration system on employee satisfaction and thus on employee retention.

Employee satisfaction should not only be achieved through monetary incentives; HIH Invest also relies heavily on a strong health and pension system and the promotion of social interaction. As part of our commitment to four UN sustainability goals, in particular the goal of 'gender equality', we are in favour of gender-neutral remuneration.

When selecting new employees, we focus on people and their skills and qualifications. HIH Invest is characterised by a flat hierarchy and a large number of specialists from a wide range of disciplines. When establishing a remuneration system, a balance must therefore be struck between the antipodes of standardisation/uniformity on the one hand and flexibility and appropriate individuality on the other.

With regard to the payment of variable remuneration components, HIH Invest has decided to focus more on flexibility and individuality in accordance with its corporate culture and taking into account the size of the company, insofar as this is permissible under labour law for all employees and in particular for identified employees falling within the scope of the KAGB. Guaranteed variable remuneration can only be paid in exceptional cases in connection with the recruitment of new employees and is limited to the first year.

The contracts of the managing directors provide for fixed and variable components, with the variable components being dependent on the company's performance. Variable remuneration components are generally only paid out if the company's short and medium-term risk situation permits. In particular, the company's success and the Managing Director's performance in the current and previous year, the current risk situation and the company's planning for the coming years are taken into account. A multi-year, sustainable assessment of performance is therefore carried out. The specific amounts to be paid out are determined as part of a management appraisal between the management and the shareholders' meeting or the Supervisory Board. In the event of premature termination of the contract, failure is not



rewarded, but taken into account negatively in the negotiations (e.g. regarding the amount of variable remuneration). Pension schemes are not part of the managing directors' contracts. Managing directors are prohibited from concluding personal hedging strategies or remuneration and liability-related insurance policies that undermine the focus on risk behaviour enshrined in the remuneration regulations. Furthermore, variable remuneration is not paid in the form of instruments or procedures that facilitate circumvention of the requirements of the AIFMD Directive. Lastly, also in light of the fact that the principle of proportionality is utilised as described under 3.

In addition, there are medium-term performance-related fees that are dependent on agreements in the fund contract terms. In principle, a portion of the performance-related remuneration received by the KVG is available for disbursement. The proposal for distribution is made by the respective fund director. The beneficiaries are generally the responsible fund manager, the management and other top performers of the KVG.

Our remuneration policy is in line with our corporate mission statement and our ESG strategy. We have therefore defined criteria that are used for salary adjustments or the possible payment of a discretionary bonus.

Variable remuneration is not paid out in the event of grossly unethical or immoral behaviour or breaches of compliance or governance regulations.

Senior executives are not rewarded with severance pay for mismanagement. Short-term profits and taking disproportionately high risks are not rewarded.

Another aspect is the handling of risks whose occurrence could have an actual or potential significant negative impact on the net assets, financial position and results of operations as well as on the reputation of a company and fund; this includes climate-related risks in the form of physical risks and transition risks.

In addition, ESG criteria are integrated into the requirements of the respective business areas in which the employees work. These include, for example, talent management, employee satisfaction, customer satisfaction and responsibility in corporate governance. These include targets for reducing our CO2 emissions and social commitment.

As described, the remuneration policy is compatible with sound and effective risk management and does not encourage risk-taking.

The remuneration policy practised is discussed once a year in connection with the employee appraisals in March of each year at the management meeting. Part of this remuneration policy is also published on the website.