



Information on remuneration  
policy and practice in accord-  
ance with section 37 of the  
German Investment Code  
(KAGB)

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**INT**REAL

# Contents

1	BACKGROUND	1
2	GENERAL INFORMATION	1

## 1 Background

On 22 March 2013, the German Federal Financial Supervisory Authority (BaFin) published a memorandum on the authorisation procedure in accordance with section 22 KAGB, in which the necessary disclosures on the remuneration policy and practice in accordance with section 37 KAGB are described under section 8.

According to the memorandum, the specific requirements of the “Guidelines on sound remuneration policies under the AIFMD” (Remuneration Guidelines) published by the ESMA on 11 February 2013 must be met by AIFMs in their remuneration practice.

In its authorisation application for sound remuneration policies under the AIFM Directive, the company must therefore make at least the following disclosures in its remuneration policy and practice:

- ◆ a list of the (groups of) employees who come under the scope of the company’s remuneration policy and practice; disclosure of the employee’s functional role is sufficient here
- ◆ a presentation of the structure of variable and fixed remuneration (e.g. disclosure of the underlying parameters)
- ◆ disclosure of whether a remuneration committee has been set up and if not, disclosure of the reasons for this

The remuneration policy and practice of IntReal International Real Estate KVG mbH (referred to hereinafter as “INTREAL”) is therefore described below.

## 2 General Information

INTREAL is not subject to collective bargaining agreements and does not have a works council. The employees’ remuneration is essentially freely negotiated and contractually agreed, and consists of a fixed basic salary as well as a variable remuneration component (discretionary bonus) in individual cases. One-off voluntary payments are granted in individual cases for particular individual performance or exceptional stresses.

The basic salary is paid out in 12 monthly instalments. The bonus is determined by the management (in consultation with the shareholders) in a coordinated top-down process in the first quarter of the calendar year, exercising reasonable discretion, and is generally paid out together with the remuneration for the month of March.

The criteria for any necessary adjustment of the fixed salary and for the specific amount of the discretionary bonus include the performance of the individual employee and of the respective business area, an analysis of satisfaction and potential retention risk (including an examination of the internal or external availability of a replacement), the length of employment at the company and the past development of the individual employee’s remuneration.

The agreed-upon remuneration and the underlying system are reviewed annually in the first quarter of each calendar year. The goal of this review is to compare the salary structure of employees in comparable positions, to review market-rate remuneration and therefore to analyse how to ensure the remuneration system has the optimal effect on employee satisfaction and therefore on employee retention.

INTREAL does not achieve employee satisfaction solely with monetary incentives, but instead by equally emphasizing a strong health care and pension system, promoting social interaction and equity, as well as fair compensation and the equal treatment of all genders and people with physical and mental disabilities. INTREAL likewise promotes intercultural exchange by employing people from various countries of origin.

INTREAL chooses its employees on the basis of their qualifications, irrespective of their gender, age, or ethnic or religious background.

INTREAL is characterised by a flat hierarchy and a large number of specialists in many different disciplines. When establishing a remuneration system, a balance must be struck between the counterpoles of standardisation/uniformity on the one hand and flexibility and appropriate individuality on the other hand.

With regard to the payment of variable remuneration components, INTREAL has decided, in line with its corporate culture and taking account of the company's size, to place a greater focus on flexibility and individuality, to the extent that this is permitted under supervisory and labour law for all employees and particularly for the identified employees who come under the scope of the KAGB.

The managing directors' contracts provide for fixed and variable portions, with the variable portions being dependent on the company's success and generally accounting for around 50% of total remuneration. Variable remuneration components are distributed only if the company's short and medium-term risk situation allows for this. In particular, they are based on the company's success and the performance of the managing director in the current and the previous year, the current risk situation and the corporate planning for the following years. Performance is therefore evaluated continuously over several years. The specific payment amounts are determined in a management appraisal between the management and the shareholder meeting/the Supervisory Board. Guaranteed variable remuneration may be paid only in exceptional cases in connection with hiring new personnel, and is limited to the first year. In the event of premature termination of the contract, any failure is not rewarded but rather is taken into account negatively in the negotiation (e.g. through the amount of variable remuneration). Regulations on pension provisions are not covered in the managing directors' contracts. The managing directors are prohibited from entering into personal hedging strategies or taking out remuneration and liability insurance policies that would undermine the focus on risk behaviour incorporated 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 AIFM Directive. This also applies in the context that the principle of proportionality as described in section 4 is exercised.

The payment of variable remuneration at executive level is based on the performance achieved and is determined together with the management at the shareholder meeting. The beneficiaries are generally the responsible portfolio supervisor/manager, executives and other key personnel at the AIFM.

INTREAL's remuneration guidelines are aligned with its company mission and its ESG strategy, which is why there are specified criteria to be used for salary adjustments or possible payouts of discretionary bonuses.

Variable remuneration is not paid in cases of serious breach of duty or unethical conduct, and violations of compliance or governance rules.

Senior executives are not rewarded with settlements for mismanagement. INTREAL does not reward the generation of short-term profits or taking of inappropriately large risks.

Another issue is dealing with risks whose occurrence could have actual or potential significant negative effects on the net assets, financial condition, earnings or on the reputation of the company and its funds; this includes physical and transition risks.

In addition, ESG criteria are integrated in the employment contracts and staff appraisals. These include talent management, employee satisfaction and responsibility for corporate governance or social commitment.

As described, the remuneration policy is compatible with a solid, effective risk management and does not simply incentivise risk taking.

The remuneration policy as implemented is discussed annually in conjunction with performance reviews in March of each year during the managing directors' meeting. Minutes are taken to document the content of these meetings. Part of this remuneration policy is also published on the website.