

## ImmoKAG Remuneration Policy

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# 1. Preamble

The Company ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. ("Company") wants to be an attractive employer where employees can develop, grow and engage. Performance of employees is recognized and shall be rewarded.

The Company believes in a balance between monetary and non-monetary rewards and in fixed and variable remuneration. The monetary and non-monetary rewards are linked with the values and strategies of the Company. Remuneration is either paid as fixed or variable remuneration; there is no third category of remuneration. Fixed remuneration reflects the relevant professional experience, competence and organizational responsibility of employees. Variable remuneration is based on performance and in exceptional cases on other conditions; variable remuneration provides incentives for prudent risk taking in the long term and for sound risk management.

This policy addresses all remuneration elements of reward except such as training, benefits in kind, health and safety and other similar benefits.

Equity is a key element of ImmoKAG's remuneration strategy and has an internal, an external and a diversity perspective. Internal equity means that employees should feel being rewarded fairly according to the relative value of their jobs within ImmoKAG. Employees engaged in similar jobs in different parts of our company should be rewarded equally. External equity means that ImmoKAG strives to reward employees competitively compared to those who are engaged in similar jobs in other organisations of the respective market and/or sector. Having a compensation structure based on competitive base pay is key.

All employees are entitled to fair and favorable working conditions with special focus on remuneration. In order to monitor and eliminate gender specific remuneration gaps, HR shall conduct an internal analysis on an annual basis and implement corrective measures to narrow gaps where they exist.

## 2. Overview of Roles and Responsibilities

The responsibilities of the supervisory board and the Remuneration Committee in respect of this policy are described in chapters 5 and 6.

Business functions are responsible for the design of variable remuneration schemes, commission based/retail incentive schemes in cooperation and in alignment with Human Resources and compliance functions.

The determination of the bonus pool for the Company is the responsibility of Human Resources. The Management Board approves the final bonus pool amount.

The Management Board determines role specific objectives, agrees complete individual performance scorecards with the members of the Remuneration Committee, defines the performance agreements with direct subordinates and evaluates performance of subordinates through multi-source feedback. The process of setting performance objectives is facilitated by Human Resources.

Malus and claw-back decisions are taken on a case by case basis by the Management Board, Human Resources and Compliance. In particular cases the Remuneration Committee can also be involved.

The identification of employees who are material risk takers is coordinated by Human Resources in cooperation with business, legal and risk management functions.

## 3. Scope

### 3.1 Company

This Remuneration Policy applies to the Company and all its branches.

### 3.2 Material Risk Takers

This Remuneration Policy is applicable to all employees and management board members of the Company and to any type of remuneration paid by the Company, to any amount paid directly by the AIF itself, including carried interest and performance fees, and to any transfer of units or shares of the AIF, made to the benefits of those categories of staff, including all board members, senior management, risk takers, employees with control functions and employees, who are in the same income bracket as the board members and risk takers on account of their total remuneration, whose activities have a significant impact on the risk profiles of the Company or the AIF managed by the Company.

For the application of the specific remuneration principles, the Company has defined its risk takers as follows ("Risk Takers"):

- 1) All members of the management board;
- 2) All supervisory board members
- 3) All other management functions;
- 4) All employees in ImmoKAG Control functions, regardless of the actual amount of variable

remuneration received or the person's actual impact on the entity's/AIF's risk profile;

- 5) All employees within the Fund Management department. ;
- 6) Persons who have managerial responsibility for an employee who meets one of the criteria set out in points (1) to (5).
- 7) Employees with high remuneration, provided they have a material impact on the respective entity's / AIF's risk profile:
  - a) any staff member who is within the 0.3 % of the number of staff, rounded up to the next integer, who have been awarded the highest total remuneration in the preceding financial year;
  - b) any staff member who was in the preceding financial year awarded total remuneration that is equal to or greater than the lowest total remuneration awarded in that financial year to a member of board or senior management.
  - c) the employee has been awarded total remuneration of EUR 500 000 or more in the preceding financial year;

All other functions within the Company have no material impact on the risk profile of the Company and investment funds it manages.

## 4. Legal basis and supervisory regulations

The Company, being an international asset manager significantly engaged in the management of investment funds, is subject to the following regulations:

- 1) Article 11 and Annex 2 to Article 11 of Austrian Alternative Investment Fund Managers Act – “AIFMG”;
- 2) ESMA Guidelines on sound remuneration policies under AIFMD (ESMA/2013/232) of July 2013 – “ESMA GL AIFM Remuneration”;
- 3) ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (ESMA/2016/411) of March 2016 – “ESMA GL UCITS V and AIFMD”;
- 4) ESMA Guidelines on remuneration policies and practices (MiFID) of June 2013 (ESMA/2013/606) – “ESMA GL Remuneration MiFID”;
- 5) FMA Circular in connection with problems concerning conflicts of interests of certain remuneration systems involving the ESMA GL Remuneration MiFID of April 2014 – “FMA Circular conflicts of interests”;
- 6) FMA Circular on significance threshold for variable remuneration according to §§ 17a – 17c InvFG 2011 und § 11 AIFMG – “FMA Circular significance threshold”;
- 7) Article 13 and Annex 2 of Alternative Investment Fund Managers Directive – “AIFMD”.

In the event that the Remuneration Policy deviates from national law, or if national law or interpretations of the national supervisory authority are stricter than the Remuneration Policy, the respective national law and the stricter regulations have to be applied.

## 5. Governance of remuneration

The supervisory board and the Remuneration Committee, of the Company adopt and periodically review the general principles of the remuneration policy, amend it if needed and are responsible for its implementation. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with legal requirements, regulatory provisions, policies and procedures for remuneration adopted by the Company.

All relevant internal functions (i.e. internal audit, risk management, compliance, legal, human resources) work closely together and ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

### 5.1 Supervisory Board

The supervisory board is responsible for and maintaining the remuneration policy of the institution, and overseeing its implementation to ensure it is fully operating as intended.

The supervisory board may delegate responsibilities for remuneration-related topics to the Remuneration Committee. The supervisory board is kept fully informed of the activities the Remuneration Committee through formal reports, thereby providing it with an opportunity to have its views taken into account.

The supervisory board may, at any time, partially or fully withdraw the Remuneration Committee's responsibilities for remuneration-related topics.

The following topics remain the responsibility of the supervisory board and may not be delegated to the Remuneration Committee:

- Approval of the variable remuneration of the members of the Management Board.
- Approval of payments in relation to premature terminations of members of the Management Board.

## 6. Remuneration committee

According to Article 11 AIFMG, management companies that are significant in terms of their size or the size of the investment funds they manage, their internal organization and the nature, the scope and the complexity of their activities shall establish a remuneration committee. The remuneration committee shall be constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk ("Remuneration Committee").

The following specific elements shall be taken into account when determining whether or not to establish a Remuneration Committee:

- 1) whether the management company is listed or not;
- 2) legal structure of the management company;
- 3) number of employees of the management company;
- 4) management company's assets under management;
- 5) whether the management company is a UCITS management company and also an AIFM;

- 6) provisions of the services mentioned under Article 6(4) of the AIFMD.

When assessing whether or not a management company is significant, it should consider the cumulative presence of all the above mentioned factors.

Due to the fact that the Company would be significant with regard to the majority of those factors and given that the Company has decided to refrain from applying the principle of proportionality, the Company has decided to establish the Remuneration Committee within their supervisory board.

### **Authority of the Remuneration Committee**

The Remuneration Committee operates under delegated authority from the supervisory board. The Remuneration Committee's chairperson reports to the supervisory board on the Remuneration Committee's proceedings after each meeting in the upcoming meeting of the supervisory board.

The Remuneration Committee is authorised to investigate and undertake any activity within the framework of its duties. The members are authorised to seek any information they properly require regarding any employee of the institution.

The Remuneration Committee is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the committee<sup>1</sup>. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the management board.

The Remuneration Committee is authorised to seek advice from the Sub-Remuneration-Committee where appropriate. The Remuneration Committee is authorised to invite the Head of risk management department of the Company and other Heads of internal control functions to attend at least one Remuneration Committee meeting per year.

The Remuneration Committee shall be responsible for the following tasks:

- 1) preparation of recommendations to the supervisory board, regarding the remuneration of the members of the management board as well as of the highest paid staff members in the Company;
- 2) directly overseeing the remuneration of Risk Takers being Head of risk management department, Head of compliance department and Head of internal audit department;
- 3) overseeing the decisions of the management board related to the bonus pool and (dis)approving the respective guidelines and conditions;
- 4) providing its support and advice to the supervisory board on the design and amendments of the remuneration policy;
- 5) reviewing the remuneration policy (at least annually) and approve and oversee its implementation;
- 6) reviewing the appointment of external remuneration consultants that the supervisory board, may decide to engage for advice or support, if necessary;

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<sup>1</sup> The Remuneration Committee is autonomously responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee and/or respective Remuneration Committees.

- 7) supporting the supervisory board in overseeing the remuneration system's design and operation on behalf of the supervisory board;
- 8) devoting specific attention to the assessment of the remuneration mechanisms adopted to ensure that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the Company and the investment funds it manages and the investors of such investment funds, and the remuneration system takes into account all types of risks and liquidity of the Company and the assets under management;
- 9) ensuring the regular independent review of the remuneration policy and systems by the Internal Audit;
- 10) formally reviewing a number of possible scenarios to test how the remuneration system will react to future external and internal events, and back test it as well.

The responsibility of setting the remuneration of the management board members rests with the supervisory board. For such competence the head or the deputy head of the supervisory board have been nominated. Pursuant to Section 30I of the Limited Liabilities Companies Act ("GmbHG") the supervisory board is authorized to represent the company in its legal matters with the members of the management board.

The Remuneration Committee holds meetings at least two times a year.

## 7. General principles

The general remuneration rules are applicable to all employees and management board members of the Company.

### 7.1 Salary components

The total regular base salary of a person can consist of several components. The total regular base salary is the sum of legal base salary, market, functional or leadership allowance and overtime allowance.

Job function allowance ("Funktionszulage"): The manager and Human Resources can decide to pay a job function allowance to an employee. Employees on non-management job positions are eligible for a job function allowance. A job function allowance can be used in various business situations. For example, external market pay pressures are considered to be temporary or organizational changes demand to market-based adjustments in relation to a specific job function. A job function allowance is limited to the duration of the specific function.

The function may be consumed by any extraordinary salary adjustment. As a guideline the function allowance should be maximum 25 % of the total regular base salary.

Leadership allowance ("Führungskräftezulage"): The manager can decide to pay a leadership allowance to an employee. Employees on management job position are eligible for a leadership allowance. A leadership allowance can be used in various business situations. For example, an appointment in the management function is for a limited time period. A leadership allowance is limited to the duration of the management function. As a guideline the leadership allowance should be maximum 25 % of the total regular base salary.

Overtime allowance: Overtime allowance is an amount to be granted to employees, who are required to be flexible and available outside the regular working hours. It is in general standardized at a value of between 10 and 25 hours per month and is paid 12 times per annum.

The number of hours included in the overtime has to be performed on a long term perspective; otherwise it must be revoked, since any eventual non-performance represents a lapse of preconditions for granting.



There are other types of allowances possible. Other allowances: The employee can receive other type of cash allowances. Examples of such allowances are: car allowance, expatriate allowance, housing allowance, school tuition allowance. All these allowances are bound to specific guidelines and rules.

Overtime pay: An employee can receive additional pay for overtime performed. In general an employee with overtime allowance will not receive additional pay for overtime.

Remuneration element	Attract	Competence building	Performance	Retention	Physical/ social security
Base salary	X	X		X	X
Allowances		X		X	
Variable Remuneration Schemes			X		
Retention Bonus				X	
Benefits (monetary and non-monetary)	X			X	X

## 7.2 Severance pay

Payments relating to the early termination of a contract shall be in accordance with the Company's business strategy, values and long-term goals as well as with relevant local legislation and applicable collective agreements.

Severance payments must reflect performance achieved over time and must not reward failure or misconduct. Severance pay should not be awarded where a staff member resigns voluntarily<sup>2</sup>.

Where severance pay is awarded, the reasons for the severance payment, the appropriateness of the amount awarded and the criteria used to determine the amount, including that it is linked to the performance achieved over time and that it does not reward failure or misconduct, must be documented.

Severance payments may include redundancy remuneration for loss of office, and may be subject to a non-competition clause in the contract. In particular, in the following situations, additional payments made, because of the early termination of a contract, should be considered as severance payment:

- the institution terminates the contracts of staff because of a failure of the institution;
- the institution wants to terminate the contract following a material reduction of the institution's activities in which the staff member was active in or where business areas are acquired by other institutions without the option for staff to stay employed in the acquiring institution;
- the institution and a staff member agree on a settlement in case of a potential or actual labour dispute, to avoid a decision on a settlement by the courts.

Severance payments should be considered as variable remuneration. The following amounts of severance payments should not be taken into account for the purpose of the calculation of the ratio of fixed and variable remuneration and for the application of deferral and the pay out in instruments:

<sup>2</sup> unless a severance payment is required by national labour law in such case.



- a. severance payments mandatory under national labour law, mandatory following a decision of a court;
- b. settlements made for the loss of office where they are subject to a non-competition clause ('gardening leave') in the contract and paid out in future periods up to the amount of the fixed remuneration which would have been paid for the non-competition period, if staff were still employed;
- c. the severance payment, in connection with a mutual termination upon initiative of the employer based on the agreement with the Worker's Council or in connection with a semi-retirement scheme is granted to an employee who has not been qualified as Material Risk Taker, in the year of the termination of employment nor in the previous year, based on any criteria (qualitative or quantitative);
- d. The amount of severance payment is calculated using a predefined generic formula set within the remuneration policy in the cases referred to in points 1 to 3 in this section;
- e. severance payments, not fulfilling the condition in point (a) of this paragraph, where the institution has demonstrated to the competent authority the reasons and the appropriateness of the amount of the severance payment.

Regular remuneration payments related to the duration of a notice period are not considered as severance payments.

### **7.3 Principle of proportionality**

AIFMG enables management companies to apply the principle of proportionality with respect to the application of regulatory requirements related to remuneration.

The Company has decided to refrain from applying the principle of proportionality.

### **7.4 Disclosure of information**

The Company will disclose the following information on remuneration policies and practices within their annual reports or in a separate document:

- 1) the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the Company to its staff and number of beneficiaries and, where relevant, carried interest and performance fees paid by the investment funds;
- 2) the aggregate amount of remuneration broken down to those employees, including all board members, senior management, risk takers, employees with control functions and employees, who are in the same income bracket as the board members and senior managers on account of their total remuneration, whose activities have a significant impact on the risk profiles of the Company or the AIF managed by the Company.

### **7.5 Consistence with an effective risk management**

Remuneration rules laid out in this policy have been designed to be consistent with and to promote sound and effective risk management and to discourage risk-taking which is inconsistent with the risk strategies of the Company and the risk profiles (rules or instruments of incorporation) of the investment funds

managed.<sup>3</sup> Remuneration principles within this Remuneration Policy are designed to account for economic long-term interests of investors and as well social interests.

## **7.6 Avoidance of conflicts of interest**

This remuneration policy is in line with the business strategies, objectives, values and interests of the Company and the investment funds it manages as well as the investors of its investment funds, and includes measures to avoid conflicts of interest. Hence the management board of the Company ensures that the remuneration principles and processes are designed in a way that all employees' decisions are in line with the best interests of the investors (cf. FMA Circular conflicts of interests). This will be guaranteed by, among other things, the use of risk adjusted performance indicators which consider qualitative criteria as well (e.g. compliance breaches, violation of limits).

## **7.7 General guidelines to fixed remuneration**

### **7.7.1 Fixed remuneration**

All employees' fixed remuneration represents a sufficiently high proportion of the total remuneration to allow for financial independence of variable remuneration on an individual level, including the possibility to pay no variable remuneration component. The individual employee proportion of fixed and variable remuneration does not promote extensive risk-taking.

The fixed remuneration:

- 1) Balances the value of the job, competences, experiences and the distinctive market competitive contributions of an employee;
- 2) Is the necessity to balance the responsibilities, knowledge, skills and experience required in job positions and of the employees (the market value of the job and the person);
- 3) Supports the work environment in the Company in terms of
  - a) performance (stretched targets, results achievement, feedback),
  - b) development (career, employability), and
  - c) core competencies (foster growth, act responsibly, be accountable, excel in execution, cooperate as a team);
- 4) Aims at being cost-competitive on the external market and has cost-flexibility components to follow organizational changes in the institution and supply and demand developments in the labour market; and
- 5) Considers the binding regulations of the applicable Collective Bargaining Agreement (if any).

The fixed and variable remuneration may consist of different elements, including ancillary allowances, payments or benefits. The Company analyzes the type of these ancillary compensation and benefits and allocates them to the fixed or variable component of remuneration. The allocation is based on the criteria as mentioned below. Fixed remuneration is the sum of the fixed salary components and benefits.

### **7.7.2 Guidelines for determining fix remuneration components**

Remuneration is fix, if payments are non-revocable, cannot be reduced, suspended or cancelled by the Company and do not depend on performance.

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<sup>3</sup> annex 2 no 1 lit at to Art 11 AIFMG.

Remuneration is fixed where the conditions for its award and its amount:

- 1) are predetermined (i.e. based on a Collective Labour Agreement);
- 2) are non-discretionary (i.e. all employees receive at least a fixed remuneration);
- 3) are transparent to staff (i.e. the staff is informed formally about the fixed remuneration components);
- 4) are permanent i.e. maintained over a period tied to the specific role and organisational responsibilities;
- 5) are only changed through relevant policy change, via Collective Bargaining Agreement or following renegotiation in line with national legislation.
- 6) do not provide incentives for risk taking; and
- 7) are without prejudice of national law.

The following remuneration components (often a type of allowance or other ancillary compensation or benefits component) are also to be considered as fixed:

- 1) allowance/ancillary benefit is tied to a role or organisational responsibility and awarded as long as no material changes happen regarding the responsibilities and authorities of the role so that in fact the staff would have a different role or organisational responsibility;
- 2) amount does not depend on any other factors than fulfilling a certain role or having a certain organisational responsibility;
- 3) any other staff member fulfilling the same role or having the same organisational responsibility and who is in a comparable situation could be entitled to a comparable allowance/ancillary benefit;
- 4) Remuneration paid to expatriated staff considering the cost of living in a different state, where all similar situations are treated in a consistent way;
- 5) Allowances/ancillary benefits used to increase the base salary in situations where employees work abroad and receive less remuneration than would be paid on the local employment market for this position where all of the following conditions are met:
  - a) allowance can be paid on a non-discriminatory basis to all employees;
  - b) allowance is awarded because employees work temporarily abroad or in a different position with a remuneration level requiring adjustment from the contractual one to reflect pay levels in the relevant market;
  - c) level of additional payments is based on predetermined criteria;
  - d) duration of the allowance is tied to the duration of the situation.
- 6) One-time payments based on collective agreement or other mandatory regulations;
- 7) Other ancillary benefits based on collective agreement or other mandatory regulations (e.g. pension-fund contributions).

Included in the category of fixed remuneration are also remuneration components that:

- 1) are awarded in a non-discretionary way to staff;
- 2) do not depend on performance and do not pose incentive effects in terms of risk assumption, or payments based on legal obligations – that is mandatory under national law. Examples are leadership and market allowances.

This includes payments which form part of routine employment packages and which are solely linked to the family or personal situation like childcare, proportionate regular pension contributions on top of the mandatory regime, travel allowance and health insurance.

## **7.8 Guidelines on variable remuneration**

### **7.8.1 General guidelines on variable remuneration**

#### **Calculation of variable remuneration**

Minimum profitability requirements are defined for the Company. In scope are the conditions for pay-out of both upfront and deferred variable remuneration components. In case of performance related remuneration, the total amount of remuneration is based on a combination of the assessment of the performance of the individual as well as the business unit or investment funds concerned and of the overall results of the Company.

Furthermore, when assessing individual performance, financial as well as non-financial criteria are taken into account. These criteria are determined within this policy.

#### **Performance and long-term sustainability**

The variable remuneration of employees depends on the assessment of the performance and development of the individual and of the business unit concerned combined with the overall performance of the Company or of the investment funds they manage. Business unit and individual performance is measured by quantitative and qualitative targets, including sustainability of an employee's efforts in the medium and long term.

The design of any variable remuneration policy, model and practice considers the guidelines as outlined below.

Any variable remuneration must be in line with the strategic indicators, values and long-term interests of the Company. Variable remuneration has to consider:

- 1) risk, capital, liquidity and probability as well as the time of realized profits of the Company;
- 2) performance of Erste Asset Management Group and the Company;
- 3) performance of the business unit (department/division/branch) concerned; and
- 4) performance of the individual.

The variable remuneration is linked to sustainability and does not promote excessive risk-taking. A variable remuneration shall only be paid out to the extent the ratio between the fixed and variable remuneration remains reasonable; the ratio variable/fixed remuneration is capped at 100% of the fixed remuneration for all employees and management board members.

Failure shall never be rewarded. Therefore any binding commitments are avoided before all conditions for any component of variable remuneration are met.

In particular, variable remuneration must not be promised and has to relate to the performance in any particular performance period. As a rule, guaranteed variable remuneration is prohibited. The only exception is a sign-on bonus payment which can be paid out upfront in cash when hiring new staff. Such sign-on bonus payments must be approved by the management board of the Company and are limited to the first year of employment provided that the entity has solid and adequate equity capital.

The employees and members of the management board do not decide about their own variable remuneration.

## **Risk, capital and liquidity requirements**

Payment of variable components of remuneration as a whole may not limit the ability of the Company to strengthen its capital and liquidity base. Further, variable remuneration decisions by the members of the management board give due consideration to the long-term interests of shareholders, investors and employees of the Company in having a functional banking industry and financial market stability.

## **Board members**

Management board members of the Company receive KPIs in the beginning of the performance period, which are aligned with the Chairman of the supervisory board. Taking these KPIs into account, the Remuneration Committee determines whether management board members are eligible for annual bonuses (a.k.a. short-term incentive plan) or any other variable remuneration scheme. The KPIs should be relevant, stretching and designed to enhance long-term value. The total rewards potentially available should not be excessive. Any proposal for exception requires a supervisory board approval.

## **Control functions**

The variable remuneration of the heads of control functions (business line level) is directly reviewed and approved by the Remuneration Committee. The business lines and/or teams that are overseen by the control function have no involvement in the decision making process that determines the compensation for the control functions. Control function compensation is not linked to the performance of the teams that they may oversee. Staff in control functions is compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

## **Sub-Remuneration Committee**

The variable remuneration model and practice for Risk Takers is to be approved by the Remuneration Committee after taking advice from a committee which consists of Risk Management, Human Resources ("HR"), Finance and Compliance ("Sub-Remuneration Committee"), which have an overview of the job responsibilities and performance requirements of the employee.

## **Incentive schemes and determination of the bonus pool**

### **Incentive schemes**

There are several incentive schemes. The implementation of any new incentive scheme needs to be aligned with HR. The Compliance function needs to be involved as an advisor in the design of a new incentive scheme. Any incentive scheme is approved by the management board of the Company. The Remuneration Committee receives a report on incentive schemes in place. All incentive schemes need to relate to the Company, business line and individual results.

In general, the various incentive schemes can be classified in one of the following main schemes:

- 1) Short-term incentive: annual bonus scheme based on the annual performance evaluation of an Employee
- 2) Retention bonus: Institutions may use retention bonuses under restructurings, in wind down or after a change of control, but also in situations where the institution can provide a rationale for its legitimate interest in retaining a relevant staff member;
- 3) Awards: incentive scheme which is based on an open participation for employees in a (cross-border) business line or function. Granting the award is based on practices that supported business growth or improvement and the outcome is translated into a learning event for other employees.

An employee or a management board member can be part of more than one incentive scheme. The sum of the granted bonus amounts is not allowed to exceed the cap of 100% of the fixed remuneration of the employee/management board member.

#### Bonus pool – annual short-term incentive scheme

The overall bonus pool will be made up by the bonus pool per Division. The determination of the total volume of funds earmarked for variable remuneration (bonus pool) takes into account, besides the percentage entitlement of individual employees, also the overall performance of the Company and the relevant risks that the Company is exposed to. The determination of the bonus pool and payout from the bonus pool is subject to assessment of criteria as set out in this policy. The bonus pool is created in the budgeting phase for the performance period and evaluated after the performance period with regard to a combination of all criteria.



The bonus pool can be split into segments (e.g. bonus pool for board members, board-1, Investment Division, Sales, other employees). Different criteria/indicators can apply to these segments although as a minimum the below mentioned criteria need to be applied.

The bonus pool is assessed according to at least the following criteria/indicators:

- 1) Financial results of Erste Asset Management GmbH (0%-120%);
- 2) Company KPIs, if applicable (0%-120%).

The assessment of these criteria leads to adjustments of the bonus pool. The ex-ante bonus pool is adjusted by the bonus pool multipliers, which can vary between 0% and 120%. A bonus pool multiplier below 100% is considered a “malus” due to assessment of performance on above mentioned criteria. Different bonus pool multipliers for different categories of staff may be applied. The management board of the Company decides about the bonus pool amount for the given performance period. The Remuneration Committee overviews these decisions and (dis)approves the guidelines and conditions related to the bonus pool.

#### Bonus payments and claw-back

Regardless of the general principles of the civil- and labour law, the variable remuneration is awarded only if it is sustainable considering the financial situation of the Company and justified according to the documented performance of the respective business unit and the individual concerned. Otherwise, the variable remuneration shall not be awarded or it shall be awarded only in a limited amount (*malus*).

The variable remuneration shall be considerably contracted (*malus*) where subdued or negative financial performance of the Company occurs. This assessment impacts both the current variable remuneration and reduction in pay-outs of bonus amounts previously earned.

When variable remuneration is paid in phantom-like instruments then the instruments remain with the Company. The pay-out of the phantom-like instrument is, after the expiry of the retention period, in cash.

The Company does not pay-out any bonus in case of substantive net loss respectively due to equity capital adequacy.



In general, the variable remuneration pay-out is in cash (except stated otherwise in Clause 8.3). The variable remuneration shall not be paid through vehicles or methods that facilitate avoidance of the applicable legal requirements. The Company can claw-back any variable remuneration paid within the last five years; and can claim repayment from the employee if one of the following events occurs:

- 1) Fraud committed by the employee during performance period;
- 2) Misleading information provided by the employee, if such information had or could reasonably have had an impact on the performance assessment;
- 3) Evidence of misbehaviour or severe negligence by the employee (e.g. breach of code of conduct and other internal rules, especially concerning risks); or
- 4) employee is dismissed by way of dismissal without notice period, the according to local Labor Law<sup>4</sup> (in the valid constitutional edition).

The decision of the occurrence of such an event, the claw-back itself and the limitation on the pay-out is generally taken by the Management Board or the Remuneration Committee.

The Company reserves the right to pay no variable remuneration at all. The payments of deferred variable remuneration of its current and former employees remain with the institution where the initial bonus was granted. The management body is responsible for ensuring that payments of variable remuneration (upfront or deferred) are linked to sustainable profitability, the risk timeframe of performance and consider claw-back actions on the basis of a pretext subsequently proven to be erroneous.

### **Non-monetary bonus**

The conditions set out in this policy and in the remuneration practices also apply to non-monetary bonus or incentives (such as holiday trips, presents). (Non-) Monetary bonus and incentives, as far as permitted by law, paid by third parties need to be reported to the Compliance function.

### **No rights before granting**

Neither this policy nor any other document related to this policy neither any variable remuneration under this or in connection with this policy shall entail any obligation of the Company. It shall not create any claim, right or entitlement of any employee to any variable remuneration, including without limitation (future) bonus payments, incentives, phantom stock plan or other instruments.

The variable remuneration for a specific performance period grant on the day the employee receives the last instalment, either in cash or allocated, of the variable remuneration for the specific performance period. All variable remuneration payments until granting are upfront payments to a bonus entitlement and depend on an assessment made by the Remuneration Committee before the last instalment becomes due.

Thus, until granting, it is in the full discretion of the Remuneration Committee to decide on payments.

Only if, for whatever reason, a court or another public authority comes to the conclusion that an employee has a right to variable remuneration under this policy or any document that relates to it before granting. The Company reserves the right to unilaterally change this policy in whatever sense.

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<sup>4</sup> In Austria: § 27 Angestelltengesetz.



## **Other regulatory limitations**

The Austrian Financial Market Authority or any European or national regulator can order a limitation or stop of variable remuneration. Thus, any decision on payment shall occur only under reservation of the obligation of the Company to abstain from such payment if ordered by a competent authority.

### **7.8.2 General guidelines to objectives and targets**

#### **Objectives and target setting**

For the purpose of performance evaluation all employees must receive objectives and targets for a performance period. The objectives and targets describe the expected results. The objectives and target setting process is linked to the overall performance management process and guidelines of the Company.

Each objective and target is agreed between employee and superior. The objectives consist of an appropriate balance of quantitative and qualitative criteria. Objectives and targets are to be influenced through decisions and work by the employee.

The evaluation of objectives and targets is documented. The evaluation of objectives and targets is always between a superior (line and/or matrix) and employee. In addition, the evaluation process can be performed by appraisal committee.

An appraisal committee consists of members, which have an overview of the job responsibilities and performance requirements of the employee. The superior of the employee presents the performance and future fitness of the employee. The appraisal committee provides further performance and development feedback about the employee. This feedback relates to: specific business target achievement(s), leadership challenges and styles, development areas for the future, assessment to fitness of the employee for the future. Further, the appraisal committee decides about the final performance rating on the performance, leadership and fitness of the employee.

The total evaluation of the employees' performance needs to be at least "met expectations" for the employee to be eligible to receive a variable remuneration.

#### **Objectives and targets for control staff**

Employees engaged in internal control functions (internal audit, compliance and risk management) shall be independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of objectives linked to their functions, independent of the performance of the business units they control.

### **7.8.3 Guidelines for the design of variable remuneration policies and practices**

Any proposal for amendments on this Remuneration Policy and incentive scheme are designed with at least the involvement of the HR and Compliance function. The design of any variable remuneration policy and practice needs to be compliant with the applicable regulations and laws.

#### **Regulations of discretionary pension benefits**

The Company does not warrant discretionary pension benefits and there are no contractual pension schemes in place.

#### **Remuneration in cases of subdued or negative financial performance**

The minimum profitability requirement is a criterion for paying a bonus for all employees for a performance period. The minimum profitability requirement is also a criterion for paying deferral elements of retained bonus amounts for Risk Takers. It is based on at least two indicators, which both have to be met:

- 1) Financial results of the Company; and

## 2) Capital ratio of the Company.

The Remuneration Committee approves the respective minimum profitability requirements of the Company.

Variable Remuneration, including the deferred portion, is paid or vested only if it is sustainable according to the financial situation of the Company and justified according to the performance of the business unit, the investment funds and the individual concerned. Usually, a subdued or negative financial performance of the Company or of the investment funds concerned leads to a significant reduction of the entire variable remuneration of the Company. Thereby, capital requirements shall be given priority over any possible payment of variable remuneration.

### *Rules against circumvention*

Variable remuneration is not paid through instruments or methods that facilitate the avoidance of the requirements of the remuneration policy at hand. The adherence to this requirement is also part of the annual review conducted by the respective remuneration committee.

### *Multi-year framework for assessment of performance*

The assessment of the performance of Risk Takers is set in a multi-year framework appropriate to the life-cycle of the investment funds managed by the Company in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the investment funds it manages and their investment risk. This alignment is part of the annual appraisal interview with Risk Takers.

## **Bonus payment model**

Minimum profitability requirements are the Company's wide conditions for pay-out of any upfront and deferred variable remuneration.

## **7.9 Guidelines for staffing and mobility**

The Remuneration Committee is informed about any career moves of a Risk Taker. The Remuneration Committee makes a decision regarding the treatment of dealing with the performance assessment and bonus payment.

The following guidelines apply in case of staffing and career moves:

- 1) An employee is a Risk Taker during the performance period, if the employee is determined as a Risk Taker within the Company for a period of at least 3 months. Any granted bonus amount is paid according to the bonus payment model for Risk Takers;
- 2) The payment of deferred bonus parts remains the responsibility of the Company the bonus amount was granted. In case a Risk Taker makes a career move to another company these deferred bonus parts are granted and paid according to bonus payment conditions applicable for Risk Takers;
- 3) A Risk Taker can receive a guaranteed bonus as a sign-on bonus paid out upfront in cash when hired as a new employee. Such sign-on bonus payments are limited to the first year of employment in the entity and are subject to the condition the institute has solid and sufficient equity capital;
- 4) If a Risk Taker makes a career move within the Company and stays a Risk Taker then the applicable bonus payment model refers to the function which the Risk Taker held for at least 6 months.

- 5) If a Risk Taker becomes an expatriate then the home country continues with the payment of variable remuneration as defined by the home country variable remuneration policy.

If a Risk Taker leaves a job position and would in the new job position within the Company not be recognized as a Risk Taker then the respective Remuneration Committee takes the decision regarding the treatment of the objectives and bonus payment.

## **7.10 Personal hedging, interest and dividends**

A Risk Taker is prohibited to use personal hedging strategies or agree on an insurance to transfer the downside risks of deferred and retained parts of the variable remuneration to another internal or external party.

Neither interest nor dividends will be paid out on deferred or retained parts of remuneration and no dividends will be paid on phantom fund shares.

## **7.11 Risk adjusted performance measurement**

### **7.11.1 Quantitative Criteria (Knock-in)**

Risk limits are defined for real estate funds. If these limits are exceeded, a full bonus reduction is made for those responsible (risk takers).

In order to be entitled to a variable remuneration, the following quantitative criteria must be met for each fund.

Compliance with

- market risk limit
- liquidity risk limit
- volatility risk limit
- real estate risk limit

### **7.11.2 Qualitative Criteria (Knock-out)**

The qualitative criteria serve as knock-out criteria for all employees and the management board members of the Company and also for those employees and management board members who otherwise would have been entitled to receive variable remuneration by having met the knock-in criteria. They will lose at least part of the bonus if any of the below mentioned principle is violated:

Each violation of a compliance rule causes bonus cut of 5 – 100 % per violation (depending on how severe the violation is).

The relevant figures are monitored by the competent Risk Management Division / Compliance Officer and reported to the Sub-Remuneration-Committee.

Knock-in and knock-out criteria are overseen by the Sub-Remuneration Committee and the Remuneration Committee. This report also includes a general review of both the general implementation of the principles laid out in this policy as well as bonus payments to Risk Takers. Furthermore this report will contain information on payment of variable remuneration and all information required for disclosure. The Remuneration Committee will aggregate the information received and amend it with information required to enable the Company to carry out its Governance Function.

## 8. Specific remuneration principles

The specific remuneration principles are applicable for the variable remuneration of Risk Takers.

### 8.1 Calculation of variable remuneration

The payout of the variable remuneration of Risk Takers follows the principles set out in this Remuneration Policy and encompasses the specifics for investment management companies. Adjustments of calculation of variable pay relate, above all, to the risk adjusted performance measurement, as specified further down below, which provides for the alignment of the remuneration of fund managers with the risk profiles as well as investment strategy of the investment funds they manage.

The link between the performance of an investment fund managed by a specific fund manager and his/her variable remuneration is incorporated by goals set in the annual appraisal interviews with the respective employee and is tailored to the requirements by the specific investment fund. Moreover, the performance evaluation for fund managers takes into account the life-cycle of the AIF managed and, thus, constitutes long-term assessments of performance as detailed further down below.

### 8.2 Deferral period

40 % of the variable remuneration component is deferred in equal instalments over a period of 3 years. Thus, 60% of the variable remuneration is paid out in the year following the performance period as an upfront payment, unless the amount of the overall bonus exceeds EUR 150,000<sup>5</sup>. In this case, 60 % of the variable remuneration component is deferred.

Before paying out the deferred part, a reassessment of the performance and, if necessary, a risk adjustment is performed in order to align variable remuneration to risks and errors in the performance and risk assessments that have appeared since the staff members were awarded their variable remuneration component.

### 8.3 Non-cash instruments

50 % of any variable remuneration for Risk Takers who are directly involved in fund or portfolio management including management board members and heads of branches will consist of shares of the AIF or AIF linked instruments or equivalent non-cash instruments. To avoid a misalignment of interests which arise in relation to Risk Takers who are not directly involved in portfolio management the requirement to pay out in units or shares of the AIF or AIF linked instruments or equivalent non-cash instruments does only apply to employees which are directly involved in fund or portfolio management including management board members (marginal note 132 and 133 of the ESMA GL AIFM Remuneration).

The Company does not issue any instruments viable as non-cash components other as AIF funds or AIF linked instruments or equivalent non-cash instruments, they will not use other non-cash instruments in its payment model.

However, pursuant to the FMA Circular<sup>6</sup> in case of deviating national supervisory laws those national laws shall prevail. The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

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<sup>5</sup> See FMA Rundschreiben Grundsätze der Vergütungspolitik und -praktiken S. 21 Rz 64.

<sup>6</sup> See FMA Rundschreiben Grundsätze der Vergütungspolitik und -praktiken S. 7 Rz 15.

Due to legal and/or contractual restriction shares in AIFs set up as special funds (Spezialfonds) are not used in the pay-out process. These considerations regarding pay-out in shares in special funds will not apply in cases the national legal provisions allow for the use of shares in special funds for the purpose of variable remuneration.

Due to the fact that the payment of variable remuneration in shares of the AIF or AIF linked instruments or equivalent non-cash instruments is mandatory, any payment in instruments will not be neutralized. After disbursement of variable remuneration in shares of the AIF the requirement for a retention period pursuant to marginal notes 137ff, page 29, ESMA GL AIFM Remuneration will be applied. Therefore, employees are not allowed to sell shares in AIF received during the retention period of one year for Risk Takers, which receive variable remuneration in shares of AIF. When variable remuneration is paid in phantom-like instruments then the instruments remain with the Company. The pay-out of the phantom-like instrument is, after the expiry of the retention period, in cash.

### **8.3.1 Retention period**

The purpose of a retention period is to align the instruments with the longer term interests of the Company and is linked to a multi-year performance assessment. The retention period starts on the date of allocation and is for the period of one calendar year. Legal requirements of respective Financial Market Authorities can require longer retention period. During the retention period only the value of the allocated instrument might change.

The allocation itself is not changed except for claw-back reasons.

### **8.3.2 Phantom share plan**

The non-cash-instruments for Risk Takers who are directly involved in fund or portfolio management including management board members are affected in phantom fund shares. After the performance period the number of phantom fund shares to be allocated is calculated in the following way: 50% of the gross bonus amount is divided by the average weighted daily NAV of the respective fund shares during the performance period (year n). The result constitutes the total number of phantom fund shares.

The average weighted daily NAV is calculated by risk management of the Company with respect to the IAIFM regulations.

The phantom fund shares are never transmitted to the employee. Phantom fund shares remain with the Company. After the retention period, the fund shares are converted into cash by multiplication with the average weighted daily NAV of the year following performance period (year n+1) and paid in cash equivalent.

## **8.4 Significance threshold**

In line with the FMA Guidance given in its Circular<sup>7</sup> Remuneration Committee defined and implemented a significance threshold amounting to EUR 30,000.-- or 25 % of Risk Taker's fixed annual salary, whichever is lower, as bonuses below this significance threshold do not encourage employees to take on excessive risk. Therefore, variable compensation that is below the level of significance the specific remuneration principles set out in Article 11 Z 1 m) and n) to Annex 2 AIFMG is neutralized and, thus, need not be applied to those bonuses.

Considering the level of fixed remuneration in the Company and having regard to the level of remuneration in the industry, especially the remuneration in the industry in the company location, variable remuneration below the significance threshold is not suitable to encourage Risk Takers to risk-taking

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<sup>7</sup> FMA circular „RUNDSCHREIBEN DER FINANZMARKTAUFSICHTSBEHÖRDE ZU §§ 17a - 17c InvFG 2011 UND § 11 AIFMG – Erheblichkeitsschwelle bei variablen Vergütungen“.

which is inconsistent with the risk strategy of the Company and the risk profiles of the investment funds managed and does not interfere with the economic long-term interests of investors and as well social interests.

## 8.5 Example bonus payment

Example bonus payment model for Risk Takers

The total variable remuneration amount for the performance year 2015 is equal to 100.000,00.

60% = 60.000,00 are paid out/allocated to the employee in 2016, thereof 50% paid in cash and 50% transferred into phantom fund shares (average weighted daily NAV in 2015 is 29,90 = 1.003,34 phantom fund shares), the phantom fund shares are retained during the retention period of one year, converted into cash at average weighted daily NAV 2016 and paid out in 2017.

40% = 40.000,00 are deferred in equal instalments during the deferral period of three years (2017 to 2019), thereof 50% paid out in cash at 6.666,67 per year and 50% transferred into phantom fund shares (average weighted daily NAV 2015 is 29,90 = a total of phantom shares and 222,96 phantom fund shares per year), whereas each portion of phantom fund shares is retained during the retention period of one year, converted into cash at average weighted daily NAV of the respective prior year and paid out in 2018 to 2020.

Pay-out of cash parts:

2016: 30.000,00

2017: 6.666,67

2018: 6.666,67

2019: 6.666,67

Pay-out of non-cash instruments in cash (e.g. phantom fund shares):

2017: 1.003,34 phantom fund shares x 30,40 € (average weighted daily NAV 2016) = 30.502,00

2018: 222,96 phantom fund shares x 36,00 € (average weighted daily NAV 2017) = 8.026,56

2019: 222,96 phantom fund shares x 33,00 € (average weighted daily NAV 2018) = 7.357,68

2020: 222,96 phantom fund shares x 29,00 € (average weighted daily NAV 2019) = 6.465,84

## 9. Guidelines for leavers and pensions benefits

### 9.1 General provisions for good leavers

Variable remuneration and/or the pay-out of any deferred or retained bonus of previous performance periods are possible after the end of their employment with a company of Erste Group, for:

- 1) Employees who retire from employment;
- 2) Employees who are made redundant by the employer or in mutual agreement between employee and employer

If any staff with a deferred bonus payment considered as good leaver has worked through a performance period and the employment relationship ends during or after expiry of this performance period, but before the end of the deferral period and the retention period, he/she will be treated



pursuant to the same principles as in case of a continuing employment relationship with a company of Erste Group. The pay-out follows the applicable respective remuneration scheme (e.g. divisionalized business, Material Risk Takers).

If the employment relationship ends during the performance period, the respective employee will receive such a treatment on a pro-rata basis. However, this paragraph does not in itself grant individual rights to material risk takers or other staff with deferred bonus payments.

Employees who pass away prior to pay-out of any deferred or retained bonus of previous performance periods are treated as good leavers.

## **9.2 General provisions for bad leavers**

No variable remuneration (neither upfront, nor deferred cash or non-cash component) has to be paid to the following categories of employees ("bad leavers") after the end of their employment with the Company:

- 1) Employees who have unilaterally terminated their employment relationship;
- 2) Employees dismissed for fault if applicable legislation provides for a dismissal for fault;
- 3) Employees dismissed by way of dismissal without notice period if applicable legislation provides for such dismissal.



## Annex 1 Rules for Preparation of Materials and Agenda Points Submitted to the Remuneration Committee

### Overview of remuneration related matters

The following table includes a non-exhaustive overview of the topics which need to be dealt with by the Remuneration Committee of an entity:

	Main responsibilities of a Remuneration Committee	Action required from the Remuneration Committee
1)	Determining the remuneration strategy for top executive staff, material risk takers and heads of control functions	Approval
2)	Approval of the remuneration model and practice for all employees (e.g. thresholds for the bonus pay-out, type of share linked instrument, balance between fixed and variable remuneration	Approval
3)	Approval on the guidelines and conditions related to the bonus pool	Approval
4)	Approval on the minimum performance requirements of an institution to allow the pay-out of annual bonus and deferral payments	Approval
5)	Setting and evaluation of performance objectives (KPIs) of the members of the Management Board for the respective performance period	Approval
6)	Overseeing the remuneration paid to Material Risk Takers and heads of control functions <sup>8</sup> (including approval of claw-backs and the limitation on the pay-out, if applicable)	Approval
7)	Performance-related bonus amounts proposed for the members of the Management Board for the respective performance period	Recommendation to Supervisory Board
8)	Payments to members of the Management Board related to early termination	Recommendation to Supervisory Board
9)	Approval of the lists of employees identified as material risk takers, including approval of any subsequent material exemptions made for individual staff members	Approval
10)	Approval of the general principles of the remuneration policy (periodical review)	Approval
11)	Approval of notifications to the competent authorities, if required	Approval

## Annex 2 Remuneration of the Members of Supervisory Boards

In order to properly address conflicts of interest, concerning their activity in the Supervisory Board, the remuneration for Members of the Supervisory Board is always fixed meaning that Members of the Supervisory Board do not receive a variable remuneration based on their Supervisory Board role.

The remuneration package consists of the following components

- 1) Fixed remuneration (based on role, annual and aliquot to period of assignment);
- 2) Attendance fee (per meeting);
- 3) Reimbursement for travel expenses (based on local entities guidelines and conditions); and
- 4) Directors and officers (D&O) financial liability insurance benefit (for all members of the Supervisory Board, including representatives of the Workers Council).

The following conditions apply to the remuneration of the Members of the Supervisory Board in respect to their function as a Supervisory Board member:

- 1) Fixed remuneration is only for fixed and appointed members of the Supervisory Board; invited members for individual Supervisory Committees or invited guests are excluded from receiving a fixed remuneration;
- 2) Fixed annual remuneration is paid proportionally for the time period (calendar based) the respective Supervisory Board member exercised his/her mandate;
- 3) Attendance fee eligibility depends on the presence at the Supervisory Board and Committee meetings. The member needs to attend more than 50% of the meetings to be eligible for the attendance fee pay-out. Pay-out of fixed remuneration and attendance fee at the end of the fiscal year.
- 4) Reimbursement of travel expenses according to respective regulations of the Company or local entity:
  - a) Hotels, taxi, train, car: based on existing agreements;
  - b) Continental flights: flat rate based on existing agreements;
  - c) Intercontinental flight travel: flat rate based on business class and based on tariff: home office/local entity)
- 5) Members who are nominated by the shareholders and being in employment relationship with Erste Group entities are not eligible for receiving Supervisory Board remuneration (this also refers to members of the Employees' Council);
- 6) Fixed remuneration and attendance fee for Members of Employees' Council /Trade Union are paid into a Employees' Council fund (based on local entity guidelines);
- 7) No performance-related remuneration paid, shares allocated, pension rights accrued;
- 8) Loans or other guarantees granted based on rules for (Supervisory) Board Members; and
- 9) No benefits upon termination of the service as a Member of the Supervisory Board are provided.