

# Compensation report

## **Introduction and principles**

The compensation report of Allreal Holding AG contains information on the remuneration paid to members of the Board of Directors and Group Management. The compensation report is in accordance with the following regulations and guidelines:

- Swiss Code of Obligations (CO)
- Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)
- Corporate Governance Directive (DCG) issued by SIX Exchange Regulation AG
- Articles of association of Allreal Holding AG

The articles of association (in German only) of Allreal Holding AG can be accessed on the Allreal website: [allreal.ch/investoren-und-medien/corporate-governance/statuten/protokolle](http://allreal.ch/investoren-und-medien/corporate-governance/statuten/protokolle).

The compensation system in place for members of the Board of Directors and Group Management is simple and transparent. The system is designed to achieve sustainable business success with a top-tier corporate leadership which takes the long-term view, supported by a competitive, performance-based compensation policy.

### **1. Responsibilities and procedures for determining compensation**

#### **1.1 Responsibilities of the annual general meeting**

In accordance with the articles of association, the Board of Directors will, on a yearly basis, submit a binding proposal to the annual general meeting for the total remuneration to be paid to the members of the Board of Directors for the period up until the next annual general meeting and the total fixed remuneration (basic salary and employer's contributions to the management pension plan) to be paid to Group Management for the current financial year.

Furthermore, the total variable remuneration to be paid to Group Management and, where applicable, the Board of Directors for the past financial year is subject to the binding approval of the annual general meeting.

Accordingly, the annual general meeting of 8 April 2022 will vote on the total remuneration to be paid to the Board of Directors for the period from 9 April 2022 until the annual general meeting of 21 April 2023 and the total fixed remuneration to be paid to Group Management for the 2022 financial year and the total variable remuneration to be paid to Group Management for the 2021 financial year.

If the annual general meeting refuses to approve individual components of remuneration, the Board of Directors may submit a new proposal or convene a new general meeting.

#### **1.2 Responsibilities of the Board of Directors**

The Board of Directors will submit yearly to the annual general meeting a compensation report detailing the remuneration paid to the Board of Directors and Group Management.

### **1.3 Responsibilities of the Nomination and Compensation Committee**

The Nomination and Compensation Committee deals with all Board matters related to the definition of the compensation, selection and succession planning for the Board of Directors and Group Management.

Its main duties can be summarised as:

- Managing the selection process and making proposals with regard to new members of the Board of Directors and the CEO
- Reviewing and monitoring the selection process for members of Group Management and the key terms of their employment contracts
- Reviewing and submitting proposals regarding the remuneration system and the annual remuneration of the Board of Directors, its committees and Group Management
- Reviewing, requesting and monitoring the definition and attainment of the annual targets for the individual members of Group Management
- Reviewing and monitoring compliance with the maximum number of permissible mandates for members of the Board of Directors and Group Management
- Reviewing and requesting secondary employment of members of the Board of Directors and Group Management
- Conducting regular reviews of the statutory and regulatory provisions on remuneration of the Board of Directors and Group Management, and submitting proposals in the event of changes
- Succession planning at senior management level
- Reviewing and requesting the compensation report

Once a year, the Nomination and Compensation Committee reviews and requests all the background information required by the Board of Directors as a basis for its decisions, as well as the proposals to be submitted to the annual general meeting. Remuneration at listed competitors within the same sector was compared as part of the analysis. As in the previous year, this was done without calling on the services of any external consultants.

The proposals for the remuneration of the members of the Board of Directors and Group Management are addressed at a meeting of the Board of Directors at which the members of Group Management are not present and thus have neither the right to attend nor to be heard. Each member of the Board of Directors has a say in the discussion of their own remuneration. There are no provisions for recusal in this regard.

The annual general meeting of 16 April 2021 appointed Andrea Sieber (Chairwoman), Philipp Gmür (member) and Peter Spuhler (member) to the Nomination and Compensation Committee.

## **2. Compensation system**

### **2.1 Articles of association provisions**

Art. 30 to 33 of the articles of association of Allreal Holding AG govern the principles of remuneration. They provide that the Board of Directors and Group Management may, in addition to a fixed remuneration, also receive results-based and

performance-based compensation as well as equity securities or convertible and warrant bonds. Variable remuneration will be dependent on performance targets.

In the case of members of Group Management appointed after the total fixed remuneration for the current year has been approved by the annual general meeting, an additional amount of a maximum of 20 percent of the fixed total remuneration paid to the respective predecessor is available. This additional amount may not, however, exceed 50 percent of the approved total remuneration for Group Management.

The articles of association do not contain any special rules regarding loans, credits and pension benefits granted to members of the Board of Directors and Group Management. The exact wording (in German only) of the articles of association can be accessed on the Allreal website: [allreal.ch/investoren-und-medien/corporate-governance/statuten/protokolle](http://allreal.ch/investoren-und-medien/corporate-governance/statuten/protokolle).

## **2.2 Remuneration paid to the members of the Board of Directors**

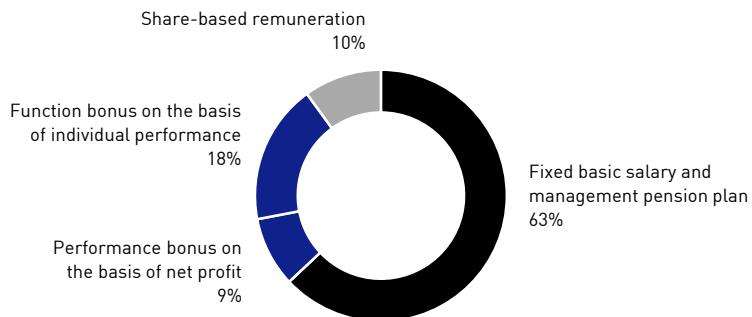
The members of the Board of Directors receive fixed remuneration, which is paid out in cash after the annual general meeting has approved the annual financial statements.

The remuneration takes account of the claims made on the individual members and their responsibilities and is not tied to company targets. It is regularly compared against the remuneration paid to the members of the Boards of Directors of listed competitors from the real estate sector and presented annually to the annual general meeting for approval. No further remuneration is paid to the Board of Directors.

## **2.3 Remuneration paid to the members of Group Management**

In addition to their fixed basic salary (including fringe benefits and employer's contributions to the management pension plan), members of Group Management also receive variable remuneration (target bonus), which is paid out in cash and is based on the company's annual result (performance bonus) and the attainment of individual targets (function bonus). Over and above this, members of Group Management also receive variable remuneration in the form of share allocations geared to the company's long-term performance.

The remuneration system provides for a split of 63 percent fixed remuneration and 37 percent variable remuneration over the long term:



### Fixed basic salary

The amount of the fixed basic salary in cash is dependent on the individuals' tasks and responsibilities, experience and proven track record. The basic salary is determined on joining the company or on being appointed to Group Management and is based on salary levels in the Swiss real estate sector. To this end, regular comparisons are made against the remuneration levels at listed competitors and reviewed annually by the Nomination and Compensation Committee.

### Target bonus

The amount of the target bonus, consisting of the performance and function bonuses, is set annually in advance.

### Performance bonus

The performance bonus is based on the budgeted net operating profit (net profit excluding revaluation effect). If the budget is achieved and once the annual accounts have been approved by the annual general meeting, the performance bonus is paid out in the following year and amounts to a maximum of 19 percent of the basic salary per member of Group Management. If the net operating profit falls short of the budget by 10 percent or more, no performance bonus is paid out. If the net operating profit is 10 percent or more above budget, 150 percent of the agreed performance bonus is paid out (cap). If the net operating profit is less than 10 percent above or below budget, the performance bonus is calculated on a linear basis.

With net profit excluding revaluation effect at CHF 133.3 million, the result was 0.8 percent higher than budgeted (2020: +4.0%).

### Function bonus

The function bonus is dependent on the performance of the member of Group Management in his area of responsibility and functions and hence on individual target attainment. The function bonus may make up a maximum of 66 percent of the target bonus and amounts to a maximum of 38 percent of the basic salary per member of Group Management. If the individual targets are not achieved, no bonus is paid out.

	2021			2020		
	Function bonus		Function bonus 100% target attainment CHF million	Function bonus		Function bonus 100% target attainment CHF million
	actual target attainment CHF million	in %		actual target attainment CHF million	in %	
Roger Herzog, CEO	0.224	100		0.200	0.164	82
Other members of Group Management	0.450	96		0.415	0.325	78
<b>Total</b>	<b>0.674</b>	<b>97</b>		<b>0.615</b>	<b>0.489</b>	<b>80</b>

The CEO's individual targets for the 2021 financial year included quantitative objectives for acquisitions of yield-producing and development properties on the one hand and, on the other, responsibilities in the areas of strategic development at corporate level (including ESG).

For the other members of Group Management, quantitative targets relating to the refinancing of financial liabilities, the expansion of the portfolio of yield-producing and development properties, the acquisition of orders from third parties by Projects & Development, and detailed budgets were defined for the 2021 financial year depending on their area of responsibility. In addition, the individual objectives included topics in the areas of ESG, work organisation, and organisational development.

In the 2021 financial year, the average individual target attainment for Group Management as a whole amounted to 97 percent (2020: 80%), ranging from 81 percent to 100 percent depending on the member of Group Management.

### Remuneration in shares

In addition to the variable target bonus, members of Group Management will be awarded a variable remuneration component in the form of shares. The stock exchange value of the registered allocated shares of Allreal Holding AG can amount to up to 25 percent of the individual's fixed basic salary for the year in question. The effective amount of the remuneration awarded in shares is dependent on performance and measured by the degree to which each individual member has met the targets. Bonus recipients will be able to access half of the allocated shares after one year and the remainder after three years provided their position is not under notice of termination.

Any member of Group Management whose employment relationship has not been terminated may sell available shares for the first time if the total holding exceeds the equivalent value of an annual fixed basic salary ("minimum shareholding").

## **2.4      Adjustments made in the period under review**

Compared with the previous year, the following adjustments were made to the compensation system.

- For the purposes of agreeing targets and determining function bonuses, explicit requirements will be placed on each member of Group Management as of the financial year 2021 in relation to ESG measures and their implementation. This means that the variable remuneration is directly dependent on the degree to which the ESG targets have been met.
- The effective amount of the remuneration awarded in shares for members of Group Management is dependent on performance and measured by the degree to which each individual member has met the targets. Up until now, it has been determined by a predefined relationship to the fixed basic salary.
- Whereas members of Group Management have hitherto been able to access half of the allocated shares immediately, they will now not be able to do so until after a year. They can continue to access the other half of the allocated shares after three years.
- However, to achieve the long-term targets in relation to the fixed and variable remuneration components for Group Management, the CEO's fixed basic salary was again reduced by 8 percent, as in the previous year, in order to increase his variable share of the total remuneration.

## **3.      Remuneration paid in the 2021 financial year**

### **3.1      Remuneration paid to the members of the Board of Directors**

The members of the Board of Directors receive fixed remuneration of a total of CHF 0.85 million (2020: CHF 0.63 million).

Name	Title	CHF million 2021	CHF million 2020
Ralph-Thomas Honegger	Chairman	0.19	0.15
Andrea Sieber	Vice Chairwoman	0.10	0.08
Philipp Gmür	Member	0.10	0.08
Peter Spuhler	Member	0.10	0.08
Olivier Steimer	Member	0.14	0.08
Thomas Stenz	Member	0.10	0.08
Jürg Stöckli	Member	0.12	0.08
<b>Total remuneration</b>		<b>0.85</b>	<b>0.63</b>

This year, the remuneration was divided into basic remuneration of CHF 0.15 million for the Chairman of the Board of Directors and CHF 0.08 million for the other Board members. In addition, remuneration of between CHF 0.02 and CHF 0.06 million per person was paid for committee work.

### **3.2      Remuneration paid to the members of Group Management**

The total remuneration paid to the members of Group Management rose by 8.0 percent year on year to CHF 3.72 million (2020: CHF 3.44 million). This difference largely reflects the increase in the number of members of Group Management to five in the previous year.

At CHF 1.24 million, as in the previous year, the highest total remuneration was paid to Roger Herzog, CEO (2020: CHF 1.24 million). The remuneration received by him and that received by the other members of Group Management is broken down as follows:

	2021		2020	
	CHF million	Share	CHF million	Share
Roger Herzog, CEO				
Fixed basic salary	0.60	48%	0.65	53%
Employer's contributions to management pension plan <sup>1</sup>	0.17	14%	0.17	14%
Variable bonus in form of cash payment	0.34	28%	0.29	23%
Variable remuneration in form of shares <sup>2</sup>	0.13	10%	0.13	10%
<b>Total remuneration</b>	<b>1.24</b>	<b>100%</b>	<b>1.24</b>	<b>100%</b>
Other members of Group Management				
Fixed basic salary	1.27	51%	1.16	53%
Employer's contributions to management pension plan <sup>1</sup>	0.29	12%	0.24	11%
Variable bonus in form of cash payment	0.67	27%	0.57	26%
Variable remuneration in form of shares <sup>2</sup>	0.25	10%	0.23	10%
<b>Total remuneration</b>	<b>2.48</b>	<b>100%</b>	<b>2.20</b>	<b>100%</b>

1 Excluding social insurance contributions paid by the employer, which do not lead to higher pension entitlements once certain thresholds have been reached

2 Calculated at the market value on the date of allocation

Of the total remuneration intended for the members of Group Management for the 2021 financial year in the amount of CHF 3.72 million, 63 percent was fixed remuneration (annual basic salary and contributions to pension funds) and 37 percent was the variable salary component (performance and function bonuses plus shares) (2020: 65%/35%). The variable elements of remuneration will be paid out following the resolution taken by the annual general meeting. The variable component amounted to between 36 percent and 38 percent of the total remuneration, depending on the member of Group Management, and was calculated on the basis of the principles and explanations in section 2.3.

The total of the variable bonuses for all members of Group Management of CHF 1.01 million (2020: CHF 0.86 million) breaks down into performance bonuses of CHF 0.35 million and function bonuses of CHF 0.66 million (2020: CHF 0.37 million/CHF 0.49 million).

#### **4. Comparison of remuneration paid against the remuneration approved at the annual general meeting of 16 April 2021**

##### **4.1 Fixed remuneration paid to the members of the Board of Directors**

Period	Remuneration paid CHF million	Remuneration approved CHF million
17.04.2021–08.04.2022	0.85	0.90

##### **4.2 Fixed remuneration paid to the members of Group Management**

Period	Remuneration paid CHF million	Remuneration approved CHF million
01.01.2021–31.12.2021	2.33	2.40

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### **4.3 Variable remuneration paid to the members of Group Management**

Period	Remuneration paid CHF million	Remuneration approved CHF million
01.01.2020–31.12.2020	1.21	1.25

### **5. Further transactions with members of the Board of Directors and Group Management**

#### **5.1 Former members**

In the period under review and in the previous year, no loans, credits or sureties were granted to former members of these bodies, nor was remuneration of any kind paid to them.

#### **5.2 Related parties**

As in the previous year, no remuneration was paid to related parties on non-arm's length terms.

#### **5.3 Loans and credits**

As in the previous year, in the 2021 financial year, no loans, credits or sureties were granted to members of the Board of Directors and Group Management or parties related to them. Accordingly, there are no receivables outstanding.

#### **5.4 Management transactions**

In the 2021 financial year, five management transactions with shares of Allreal Holding AG were registered. Details can be accessed on the website of SIX Exchange Regulation AG:

Date	Title	Transaction	Number of shares	Transaction value CHF million
25.02.2021	Member of the Board of Directors	Buy	150 000	28.500
05.03.2021	Member of the Board of Directors	Buy	300	0.055
12.11.2021	Member of the Group Management	Buy	664	0.131
30.11.2021	Member of the Board of Directors	Buy	150 000	28.500
10.12.2021	Member of the Board of Directors	Buy	500	0.098

In addition, in the year under review, a total of 928 shares of Allreal Holding AG were allocated to the members of Group Management as a component of their remuneration from previous years (2020: 1,392 shares).

Details of shareholdings of members of the Board of Directors and Group Management can be found on page 94 of the Annual Report.

To the General Meeting of  
Allreal Holding AG, Baar

Zurich, 28 February 2022

## **Report of the statutory auditor on the remuneration report** (translation from our original report in German)

We have audited the remuneration report of Allreal Holding AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables in the chapters 3 to 5 on pages 53 to 55 of the remuneration report.



### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



### **Auditor's responsibility**

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Opinion**

In our opinion, the remuneration report for the year ended 31 December 2021 of Allreal Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Tobias Meyer  
Licensed audit expert  
(Auditor in charge)

Jan Fässler  
Licensed audit expert