

Remuneration Policy

UPDATE

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1. Introduction

This remuneration policy (the “Remuneration Policy”) has been issued and approved by the board of managers of IRE AIFM HUB (the “AIFM”). It purports to fulfill the requirements of Article 12 and Annex II of the Law of 12 July 2013 on alternative investment fund managers (the “AIFM Law”) as well as ESMA Guidelines 2016/579 on sound remuneration policies under AIFMD. It applies to all employees of the AIFM and covers different types of foreseeable remuneration (please refer to the section 6. “Fixed versus variable remuneration of *Identified Staff*”). However, some elements of the policy are applicable only to the *Identified Staff* of the AIFM. *Identified Staff* may not be direct employees of the AIFM.

Identified Staff means:

- (i) Board of managers of the AIFM;
- (ii) Senior management of the AIFM;
- (iii) Staff responsible for control and compliance functions (including internal audit, risk management, compliance functions);
- (iv) Staff responsible for heading the portfolio management, administration, marketing, human resources; and
- (v) Staff members whose professional activities materially influence the risk profile of AIFM or the alternative investment funds (the “AIFs”) under management.

In accordance with the Guidelines 2013/232 on sound remuneration policies under the AIFMD issued by ESMA¹ (the “ESMA Guidelines”), the AIFM intends to apply the proportionality principle and to disregard retention and deferral rules as set-forth under Annex II of the AIFM Law.

It has also to be noted that the present policy integrates requirement of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”).

This Policy is in line with (i) the business strategy, objectives, values and interests of the AIFM and the AIFs and (ii) the best interest of investors of the AIFs and (iii) includes measures to avoid conflicts of interest.

The present Remuneration Policy has to be reviewed at least annually by the board of managers of the AIFM, who is responsible for its implementation.

2. Purpose

As a financial services firm, intellectual capital drives our business forward. One of our greatest assets is the collective skill, experience and efforts of our employees. We compete for professional talent with a large number of financial services companies, and to achieve our long-term strategic priorities, it is critical that we are able to attract, retain and motivate talented professionals who are committed to these priorities.

The purpose of this remuneration policy is to ensure that the remuneration of our employees is consistent with and promotes sound and effective risk management, discouraging risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of each AIF under management (including sustainability risks aspects).

The policy focuses on ensuring sound and effective risk management through:

¹ European Securities and Markets Authority

- A stringent process for setting goals and communicating these goals to employees;
- Including both financial and non-financial goals in performance and results assessments;
- Ensuring fixed remuneration forms a significant proportion of total remuneration; and
- Ensuring that variable remuneration structures for *Identified Staff* do not reward excessive risk-taking by appropriately aligning these remuneration structures with the requirements of the AIFM Law and applicable Luxembourg Law.

3. Scope

The scope of the remuneration policy shall be adjusted when additional personnel, whose professional activities materially impact the risk profiles of the AIF that AIFM manages, will be involved in the business of AIFM.

4. Identified Staff

Pursuant to Article 12 of the AIFM Law and the ESMA Guidelines, the present remuneration will apply to staff whose professional activities materially impact the risk profiles of AIFM or of the AIFs it manages.

AIFM staff are not all employees so that the present remuneration policy particularly applies to:

- (i) the members of the board of managers of AIFM,
- (ii) the senior managers of AIFM (conducting officers),
- (iii) the staff responsible for heading the portfolio management, administration, marketing, human resources,
- (iv) Staff involved in the control and compliance functions (internal audit, risk management, compliance functions, etc.);
- (v) other staff whose professional activities may significantly influence the AIFM's risk profile or the risk profile of the AIFs it manages (AIFM delegates).

5. Remuneration

In accordance with Article 10 of the ESMA Guidelines, the remuneration covered by the present policy consists of:

- (i) fixed remuneration of the above *Identified Staff*;
- (ii) variable remuneration of the above *Identified Staff*. Guaranteed variable remuneration is exceptional, and occurs only in the context of hiring new staff and is limited to the first year. It has to be noted that remuneration for any type of employees will be determined independently from the performance of the specific business areas they support or of the performance of the AIFs managed by the AIFM. This helps prevent any potential conflicts of interest. As third party AIFM, the payment of carried interest or performance fees to *Identified Staff* is not applicable to the AIFM. Criteria for allocation of a variable remuneration:
 - a. The allocation of a bonus is based on the individual performance and depends on the financial results of IRE AIFM Hub. The individual performance assessment shall be set with regular reviews through informal discussions between individuals each year, which the attainment of the objectives will be checked, that have been set in the objective setting of the preceding year (including non-financial criteria).

- b. The evaluation of the achievement of objectives is to be done in an absolute manner, by comparing defined goals and achievements for each employee. In addition, there will be a relative comparison to determine, whether and in which way the employee has contributed to the development of the company, taking into consideration the strategy, compliance with internal rules and procedures, systems and controls of IRE AIFM Hub, as well as compliance with the standards governing the relationship with clients and investors, etc. The performance review is conducted by the Conducting Officers.
- c. The performance of the individual and the overall results of IRE AIFM Hub as a whole will also have to be considered when determining the allocation of a bonus. In the widest sense, the market situation and the economic environment during the course of the year will also be reflected. For staff members engaged in control processes and who are independent from the business units they oversee, they will be compensated in accordance with the achievement of the objectives linked to their functions and/or to the overall financial performance of IRE AIFM Hub, independent of the performance of the specific business areas they control (i.e. risk management, internal audit, and compliance function).

More specifically, the following criteria and guidance will apply to the different categories of staff:

5.1. Members of the board of managers

- (i) All AIFM' board members are considered as *Identified Staff* under the AIFM Law. Variable remuneration appropriate to the performance of board duties is subject to the remuneration rules of the AIFM Law and applicable guidelines from the European Securities and Markets Authority ("ESMA") and from the *Commission de Surveillance du Secteur Financier* ("CSSF").
- (ii) Detailed application of the remuneration rules may vary at an individual level and shall be communicated directly to each of the *Identified Staff*.
- (iii) External consultants to the AIFM's board of managers shall be remunerated according to a fixed fee that is set at a level comparable with equivalent market levels reflecting the qualifications and contribution required in view of the AIF's complexity and the extent of their responsibilities. No pension contributions are payable on this fixed fee. They receive no variable remuneration that would pose any incentive effect.

5.2. Remuneration of other *Identified Staff*

- (i) When determining *Identified Staff*, AIFM has a robust process including input from HR, senior management, compliance, administration, marketing and from other staff whose professional activity may significantly influence the AIFM's risk profile or the risk profile of the AIFs it manages.
- (ii) Along with AIFM' board of managers, other *Identified Staff* includes senior management who are responsible for overseeing the activities of AIFM, and any other staff members whose professional activities are deemed to exert a material influence on the risk profile of the AIFM and/or its AIFs under management.
- (iii) A portion of variable remuneration for each *Identified Staff* that is applicable to the performance of AIFM duties is subject to the remuneration rules specifically outlined in the AIFM Law and associated ESMA and regulatory guidance.
- (iv) Detailed application of the remuneration rules may vary at an individual level and shall be communicated directly to each member of the *Identified Staff*.

5.3. Remuneration in control and compliance functions

- (i) The amount of any incentives available for distribution to control functions is not determined by the performance of AIFs under management. Decision making regarding remuneration for employees in control functions is approved solely by AIFM's board of managers. Any variable remuneration (if any) is based on function-specific objectives and is not determined solely by the AIFM-wide performance criteria.
- (ii) Remuneration for employees responsible for Compliance, Risk Management and Internal Audit functions (the "Control Functions") will be determined independently from the performance of the specific business areas they support. This helps prevent any potential conflicts of interest.

5.4. SFDR requirements

In compliance with Article 5 of SFDR: *"financial market participants are required to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites"*.

It has to be noted that the remuneration of Identified Staff is not related to the performance of the AIFs under management. Bearing that in mind there is no risk of misalignment with the sustainability risks associated with the investment decision making process of the AIFM with regards to the AIFs it manages. In that regards, in case portfolio management function is carried out internally by the AIFM, its existing structure is sufficient to prevent excessive risk taking in respect of sustainability risks.

Where the AIFM's portfolio management function is delegated, the AIFM shall ensure that the portfolio manager adopts remuneration policies and procedures which are consistent with the integration of sustainability risks, if sustainability risks are integrated into the investment decision making process (initial and ongoing confirmation will be requested with regards to the fact that remuneration process is not encouraging excessive risk with regards to sustainability and compliance of the remuneration process with Annex II of AIFM Law) .

5.5. Fraud or misleading information

The board of managers of the AIFM may apply clawback in the case of established fraud or misleading information. They shall be able to require staff members to repay all or part of the bonuses that have been awarded for performance based on data which was subsequently proven to be fraudulent.

6. Proportionality principle

Certain remuneration requirements imposed by the AIFMD and the AIFM Law and clarified by the ESMA Guidelines are subject to the principle of proportionality. This principle considers certain criteria relating to the AIFM itself and/or Identified Staff (i.e the size, internal organization, nature, scope and complexity of their activities) in order to:

- Disapply or neutralize in their entirety, some of the remuneration principles, or
- Only implement in a less burdensome way some other of these remuneration principles.

The Remuneration Policy has been drafted in line with the applicable rules in a way and to an extent deemed appropriate to its size, internal organisation and the nature, scope and complexity of the AIFM's activities as a third-party AIFM. Taking into consideration the risk profile, appetite and risk strategy of the Company and each of the Funds together with a non-exhaustive combination of its size, internal organisation, and the nature, scope and complexity of its activities, together with any other relevant criteria and within the limits, the AIFM intends to disapply the following requirements of the ESMA Guidelines 2016/575 and the AIFM Law:

1. Variable remuneration in instruments,
2. Retention,
3. Deferral,
4. Ex post incorporation of risk for variable remuneration.

The AIFM intends to disapply to have a portion of the variable remuneration in instruments. The AIFM notes that ESMA, under XII.IV.II of its guidelines, mentions that staff should not be remunerated in instruments if that triggers interest misalignment or encourage risk-taking, which is inconsistent with the risk profiles of the AIFs and if it triggers conflicts of interest.

The Remuneration Policy considers the fact that the AIFM shall have no ability to grant any AIF instrument to its own staff. The AIFM intends to disapply the retention, deferral and ex-post incorporation of risk for variable remuneration on the basis of (i) the limited amount of the variable part of the staff's remuneration, (ii) the predominance of the non-financial component in the assessment of the granting of variable remuneration and (iii) the ownership profile of the AIFM.

When applying the proportionality principle, the AIFM complies with the proportionality guidelines as set out in the ESMA Guidelines (section 23 to 31). Specifically, the AIFM implements its remuneration principles and standards in accordance with the following criteria laid down in section 29 of the ESMA Guidelines.

7. Conflict of interest

All conflicts of interest shall be handled as stipulated in the IRE AIFM Hub Conflicts of Interest Policy. The AIFM should ensure removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.

8. Governance and Oversight

8.1. Board of managers

AIFM's board of managers will be in charge of the design, approval and oversight of the implementation and the updating of the Remuneration Policy.

The AIFM's board of managers will set the general remuneration philosophy of AIFM. It will adopt the present Remuneration Policy that is set in accordance with the remuneration philosophy of AIFM and is designed to ensure compliance with CSSF requirements as established under Circular 10/437 of 1st

February 2010 (“Guidelines Concerning Remuneration Policies in the Financial Sector”) and the requirements of the AIFM Law and applicable Luxemburg Law. The AIFM board of managers shall be composed of 1 independent member who approves the remuneration policy, formally confirming that AIFM’s remuneration policy is in line with AIFM’s long-term strategy and may effectively prevent

potential conflicts of interests. Potential remuneration of AIFM's managers shall not be directly linked to the performances of the AIFs under management (no performance fees or carried interests schemes foreseen). Managers' remuneration (if any) will be reviewed and approved at least on an annual basis by the AIFM general meeting of shareholders.

8.2. Control and Compliance

- The risk manager will report on how the variable remuneration structure (if any) affects the risk profile of the AIFs under management.
- The remuneration of senior officers or consultants in the internal audit, risk management and compliance function (the "Control and Compliance Function") of AIFM will be directly overseen by the AIFM' board of managers. The remuneration will be directly linked to the achievements of clear and pre-defined objectives in relation with the control and compliance function, and shall not be in any case linked to the performance of the AIFs under management. Fixed fees will represent at least 80% of the total remuneration of the AIFM staff involved in the Control and Compliance Function. The AIFM's compliance officer will analyse and periodically review (at least on an annual basis) how the remuneration structure affects the AIFM's compliance with legislation, regulations and internal policies.
- The internal auditor will periodically audit (at least on an annual basis) the design, implementation and effects of the remuneration policies and circulate its conclusions to the AIFM board of managers.

9. Fixed versus variable remuneration of *Identified Staff*

The fixed and the variable remuneration of AIFM *Identified Staff* will be paid in accordance with the risk alignment requirement in the ESMA Guidelines. AIFM shall ensure that the remuneration is considered in a multi-year business plan complying with the best interest of the AIFs it manages. The fixed and the variable remuneration of AIFM *Identified Staff* shall not encourage excessive risk taking compared to investment policies of AIFs.

Ex-ante risk adjustment: AIFM will make qualitative risk adjustments when determining individuals' remuneration through assessments that may explicitly include risk and control considerations such as compliance breaches, risk limit breaches and internal control breakdowns (e.g. based on internal audit results) achievement of strategic targets, satisfaction of investors, leadership, management, team work, creativity and cooperation with other business areas. No "Golden Parachute" will be granted.

An external consultant, whose professional activities have a material impact on the risk profiles of the AIF managed and on control functions, are remunerated via a fixed fee that is set at a level comparable with equivalent market levels. They receive no variable remuneration that would pose any incentive effect.

The Remuneration components in the context of this policy will be a balanced mix of:

- Fixed Remuneration² – including base salary, pension and other corporate benefits; and
- Variable Remuneration³ – performance-based remuneration (up to 20% of the total remuneration).

² The fixed component should represent a sufficiently high proportion of total remuneration.

³ In any case, the AIFM will prevent payment of variable remuneration through vehicles or techniques that facilitate the avoidance of the requirements set in ESMA Guidelines

Any AIFM staff member will be required not to use personal hedging strategies or remuneration-related and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements, especially relating to the variable part of their remuneration packages.

The following table describes each component of our compensation program for employees as well as its purpose and key measures:

Remuneration Type	Pay Element	What It Does	Key Measures
Fixed	Base salary	<ul style="list-style-type: none"> Provides competitive fixed pay at a level sufficient to operate a fully flexible policy with regards to variable remuneration components 	<ul style="list-style-type: none"> Experience, duties and scope of responsibility; Internal and external market factors; Reviewed annually and potentially increased where budget set by AIFM board of managers allows, and where market positioning does not already align with individual performance.
	Retirement & Other Benefits	<ul style="list-style-type: none"> Assists employees with retirement and provides insurance coverage and other corporate benefits 	<ul style="list-style-type: none"> All employees are eligible to participate in benefit provisions Pension benefits shall consider AIFM annual financial results and progress against long-term strategic objectives. Discretionary pension benefits will be vested for a period of 5 years in case of employee's departure before retirement.
Variable	Annual cash bonus	<ul style="list-style-type: none"> Provides a competitive annual incentive opportunity Guaranteed variable remuneration is exceptional, occurs only in the context of hiring new staff and is limited to the first year; 	<ul style="list-style-type: none"> Based upon the AIFM annual financial results and progress against long-term strategic objectives. AIFM will have the option to pay no variable component. Allocations for each business area may be adjusted based on an assessment of financial and strategic achievements of each business area

	Annual stock / fund deferral award	<ul style="list-style-type: none"> • Provides a competitive annual incentive opportunity • Aligns employee with shareholder / investor interests • Encourages retention by vesting in annual increments over four years 	<ul style="list-style-type: none"> • Based upon AIFM annual financial results and progress against long-term strategic objectives. AIFM will have keep the option to pay no variable component. • Allocations for each business area may be adjusted based on an assessment of financial and strategic achievement of each business area • Applies to investment professionals, employees earning higher levels of remuneration and <i>Identified Staff</i>
	Long-term equity awards	<ul style="list-style-type: none"> • Recognises long-term potential for future contributions to company's strategic objectives • Aligns employee with shareholder interests • Encourages retention by vesting in annual increments over four years 	<ul style="list-style-type: none"> • Based upon AIFM annual financial results and progress against long-term strategic objectives. AIFM will have keep the option to pay no variable component • Applies to employees with long-term potential to contribute to company's strategic objectives