

## **THE REMUNERATION POLICY FOR RISK-TAKING DECISION-MAKERS**

### **PURPOSE**

1. The objective of the Remuneration Policy for risk-taking decision-makers of INVL Asset Management UAB is to ensure that the Policy is consistent with and promotes sound and effective risk management of the Company. This covers all aspects of risk associated with the Company's activities, sustainability risk included.
2. The Policy is the remuneration policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages or the investors of such AIFs, and includes measures to avoid conflicts of interest. In addition, compliance with this Policy is intended to attract, retain and motivate qualified employees and managers and to align their interests with those of the Company, thereby creating long-term value for the Company's clients, employees, partners, shareholders and other stakeholders. The Policy supports a simple and transparent incentive structure that enhances Employee loyalty and accountability.

### **APPLICATION**

3. The Policy establishes the remuneration and incentive arrangements, conditions and procedures for Employees as defined in this Policies` articles 7, 32 and 34. The provisions of this Policy shall also apply to the listed Closed-end investment company managed by the Company and their managers.

### **CONCEPTS**

4. **AKISVĮ** –Law on Alternative Collective Investment Undertakings Management of the Republic of Lithuania;
5. **The Company** - UAB INVL Asset Management;
6. **BRE** - INVL Baltic Real Estate, a special-purpose closed-end real estate investment company;
7. **Employees** - employees of the Company who hold or have held a position included in the List;
8. **Insurance Premiums** - life insurance premiums paid to the Company for the benefit of Employees;
9. **ESMA Guidelines** - ESMA Guidelines of 3 July 2013 on sound remuneration policies under the LACIUM (ESMA/2013/232-LT), as subsequently amended by Guidelines of 14 October 2016 (ESMA/2016/579-LT);
10. **CIU** - a collective investment undertaking;
11. **Positional Salary** - the basic, fixed salary paid to each Employee of the Company;
12. **Pension Contributions** - contributions to Tier II or Tier III pension funds made for the benefit of the Company to Employees;
13. **Policy** - this policy of rewarding employees who make decisions on risk-taking;
14. **Notice** - information on the main principles of the Policy and any changes to them, published together with the Management Report;
15. **Bonus** - a variable component of remuneration paid to Employees in addition to their salary, as set out in this Policy article 37.

16. **Regulation** means 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;

17. **Requirements** - provisions of Article 15 of the AKISVĮ, Article 373 of the Law on Joint Stock Companies of the Republic of Lithuania, and other laws and regulations governing remuneration of management companies licensed to operate under the AKISVĮ;

18. **List** - the list of the positions of the Company whose professional activities and/or decisions may have a significant impact on the nature and extent of the risks borne by the Company and/or the CIU it manages;

19. **The Agreement** - a formal document between the Company and the Employee regarding the application of recovery measures. Under the Agreement, the Company and the Employee agree that, subject to the conditions set out in the Agreement, all or part of the Bonus paid may be recovered.

20. **Technology** - INVL Technology, a special-purpose private equity investment company;

21. **CEIC** - closed-end investment companies, BRE and Technology together.

## GENERAL PROVISIONS

22. The Policy has been prepared in accordance with the Requirements. In the preparation and application, the ESMA Guidelines are taken in to consideration as well.

23. A company may, in accordance with the principle of proportionality, make use of the exemptions set out in ESMA's guidelines on (i) the application of payouts, i.e. variable remuneration by means of payment, withholding<sup>1</sup>, deferral<sup>2</sup> and ex-post risk adjustment, and (ii) the establishment of a remuneration committee. These exemptions shall apply considering the Company's size, organisational structure, nature, scale and complexity of its activities, i.e. taking into account that:

23.1. The legal form of the company is a private limited liability company;

23.2. The securities of the Company and/or its CIUs are not traded on a regulated market other than the CEIC;

23.3. The company only manages alternative CIUs;

23.4. The company operates only under an AKISVĮ licence;

23.5. The Company does not provide investment portfolio management services;

23.6. The assets under management of the Company's CIUs do not exceed EUR 1.25 billion.<sup>3</sup>

24. The Company's Management Board has direct oversight of the remuneration, payment and other related matters of senior executives responsible for risk management and regulatory compliance. The structure of remuneration of staff performing control functions should not compromise their independence and should not give rise to conflicts of interest for those performing those functions. Bonuses awarded to Control Personnel are based on specific objectives for these functions and are not determined solely based on Company-wide performance criteria.

25. The management of BRE and Technology is delegated to the Company, which also performs the functions of the Management Boards and managers of the CEIC. There are no governing bodies of

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<sup>1</sup> How this concept is defined is set out in the ESMA Guidelines.

<sup>2</sup> How this concept is defined is set out in the ESMA Guidelines.

<sup>3</sup> Total assets under management (AUM) is the total value of assets managed by the CIUs managed by the Company, including not only directly acquired assets but also leveraged assets.

CEIC and CEIC itself has no employees. In view of the above and the fact that, pursuant to the provisions of Article 37(3) of the Law on Joint Stock Companies of the Republic of Lithuania, CEIC is required to adopt a remuneration policy, it is hereby determined that CEIC is subject to the present Policy, the provisions of which are adapted in order to provide, to the best possible extent, transparency of remuneration of the persons considered to be the directors of CEIC, accountability of the management, and to enable shareholders, potential investors and interested parties to have a complete and reliable picture of the remuneration of each of the persons identified as the directors of CEIC as referred to in the items of this Policy articles 26.1 -26.3 . The Policy has also been developed considering CEIC's business strategies, long-term objectives and interests, and the particular contribution of the persons considered to be CEIC 's senior executives to the long-term success of CEIC.

26. Subject to the provisions of Article 25 of the Policy, the following shall be considered to be CEIC managers:

26.1. CEO of the company;

26.2. Members of the Company's Management Boards;

26.3. Members of the CEIC Investment Committee<sup>4</sup> appointed by the Company.

27. This Policy applies to the managers of CEICs referred to in the articles 26.1 -26.3. If a member of the CEIC Investment Committee is also the CEO of the Company and/or a member of the Management Board, above mentioned person shall comply with the Company's Conflict of Interest Management Policy.

28. The contracts of employment of the CEIC's executives referred to in Articles 26.1 -26.3 of the Policy do not contain any agreements on supplementary pensions or early retirement conditions; the conditions of the termination of employment and the termination payments are no different from those provided for by the applicable legislation.

29. In developing this Policy, the remuneration and employment conditions of the executives of CEIC have been considered, including the form of CEIC's business and the characteristics arising therefrom, including the fact that CEIC has no employees, the Requirements applicable to the Company performing the functions of the Management Board and the executives of CEIC, and other relevant circumstances.

## **RISK-TAKING DECISION MAKERS**

30. The Company is required to maintain a List of Employees.

31. The Lists shall be approved and amended by the Management Board of the Company on the recommendation of the Head of Group HR and Administration of the Company. The List shall be reviewed and updated at least once a year.

32. The following categories of employees are included in the List:

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<sup>4</sup> In order to achieve operational efficiency and investment control, the Company has decided to establish investment committees for the management of the CEIC. The Investment Committee is a collegial decision-making body for investment and management decisions of CEIC, responsible for taking decisions on the management of UITIB's assets and for representing and protecting the interests of the Company.

32.1. Members of the Management Board, the Chief Executive Officer, and, if any, other members of the collegiate bodies;

32.2. Employees in charge of the Company's divisions/units or in other managerial positions for legal compliance, accounting policy, finance, budgeting, economic analysis, human resources, information technology, etc

32.3. Employees with control functions responsible for risk management, compliance and internal audit;

32.4. Persons making investment decisions in relation to the CIU managed by the Company;

32.5. Other risk-taking decision makers whose professional activities, either individually or collectively as part of a group (e.g. a division or Unit), are likely to have a material (significant) impact on the risk profile of the Company and/or the CIU's it manages, including persons who may enter contracts or make other significant decisions;

32.6. Other employees whose activities may have a material impact on the Company or the risk of its CIUs, provided that their remuneration is in the same group as that of senior management and risk managers.

33. In assessing whether an employee is likely to have a significant impact on the nature and extent of the risks of the Company or the CIUs it manages, the Company shall use the following criteria: (i) whether the employee's activities are likely to have a significant impact on the financial performance and balance sheet of the Company; (ii) whether the employee's activities are likely to have a significant impact on the financial performance of the CIUs, where a significant impact is understood to be an amount exceeding 1/10 of the Company's equity or 1/10 of the value of the CIUs' net assets.

34. There may be cases where the total amount of an Employee's remuneration is not significant, but that Employee's particular job function or duties could, by virtue of that Employee's particular job function or duties, have a material impact on the nature of the risk to the Company or the CIUs managed by it. In that case, such Employee shall also be included in the List.

## **SALARY AND BONUS POLICY**

35. Each Employee shall be paid a Positional Salary. Members of elected bodies who do not have an employment contract with the Company may receive remuneration in the form prescribed by law and under service contracts. The policy is gender neutral: equal remuneration is paid to all Employees for work of equal nature or value.

36. The Positional salary and the amount of the salary shall be set out in Employment contracts and paid in accordance with the procedure laid down by law.

37. Employees may receive a Bonus in addition to their Salary in accordance with this Policy. Bonus is understood as follows:

37.1. Employee incentives based on the performance of the Company, the Unit/team and/or the Employee, or, where appropriate, on other contractual criteria;

37.2. miscellaneous payments or allowances that are not part of the salary official salary

37.3. any amount paid by the CIU itself, including a success fee

37.4. Transfer of units or shares in a CIU to an Employee for services rendered.

The Company shall, in accordance with Section V of the ESMA Guidelines, clearly distinguish between the Position Salary and the Bonus, applying the same requirements and restrictions to the Bonus as set out in the Requirements and the ESMA Guidelines.

38. Bonuses are awarded on the Company's initiative as a means of motivating Employees based on the quality and performance of their work. The payment of Bonuses shall be at the discretion of the Company, unless otherwise specified in the employment contract or other agreement.

39. In addition, the Company may pay Pension and Insurance contributions to Employees. Pension contributions may take two forms, either as an alternative incentive to the Bonus (or part thereof) or in accordance with the Company's regular Pension Contribution Scheme (the process is then governed by the Company's policy for making contributions for the benefit of Employees to supplementary voluntary provident funds). Insurance Contributions may also be paid in two different cases, either as an alternative incentive to the Bonus (or part thereof) or paid under the Company's regular Insurance Contribution Scheme by means of an appropriate Insurance Contribution Agreement. For the purposes of this Policy, in the first case, the regime set out in the sections of the Policy entitled "AWARD OF PREMIUM" and "PAYMENT OF PREMIUM" shall apply to Pension Premiums and Insurance Premiums, and in the second case, the regime set out in the section of the Policy entitled "POSITIONAL SALARY".

40. Employees may also receive a range of non-monetary benefits, such as reimbursement of training costs or internal events. These benefits are chosen in accordance with the Company's financial situation and strategy, in accordance with the principles of fairness and transparency.

41. In accordance with this Policy Article 23, the Company does not have a Remuneration Committee.

#### **POSITIONAL SALARY**

42. The positional salary is the salary paid to the Employee for the performance of the work agreed in the employment or service contract.

43. The positional salary of an Employee is normally reviewed once a year at the annual appraisal interviews. The salary of Employee shall be allocated and determined in accordance with the terms and conditions set out in the Policy on the Establishment of the Remuneration and Incentives Systems.

44. In cases, when Employee is entitled to receive a salary together with a Bonus, the salary shall be fixed in such a way as to ensure that the proportions of the salary and the Bonus are in appropriate rates. The remuneration shall constitute a sufficiently high proportion of the total remuneration paid to the Employee to enable the Company to operate a flexible incentive policy.

#### **REMUNERATION FOR MEMBERS OF ELECTED BODIES**

45. Board members may be paid remuneration under contracts entered in connection with their service on the Board and/or receive annual payments (bonuses).

46. Members of the Investment Committee who do not have an employment contract with the Company may be remunerated based on service contracts.

#### **AWARD DISTRIBUTION**

47. The bonus may be granted to and paid from:

47.1. The annual fund for the Company's salary pool;

47.2. the CIU's own funds.

### **Granting of bonuses from the Company's annual fund for remuneration**

48. Bonuses to Employees shall normally be granted up to the Company's annual salary pool. The total amount of Bonuses to be granted to the Employees of the Company for the relevant calendar year shall be decided by the Board of Directors of the Company on the recommendation of the Chief Executive Officer. The Board shall be deemed to have made a decision on the payment of Bonuses and the aggregate amount of Bonuses when it decides to submit the Company's annual financial statements to the Company's sole shareholder or to the general meeting of shareholders for approval.

49. Bonuses, including the deferred portion (if applicable), shall only be granted and/or paid in the event of a sustainable financial position of the Company and shall be based on the performance of the relevant business unit of the Company and the Employee. The estimated pool of funds available for the payment of Bonuses shall not limit the Company's ability to strengthen its capital base. The decision to pay Bonuses shall be based on and assessed against the results set out in this Policy.

50. If the Company's financial performance is negative or the Company fails to achieve its performance targets, the Chief Executive Officer shall have the right to decide not to pay the Bonus or any part of it, to reduce the amount of the Bonus as previously determined, or to suspend the payment of the Bonus, specifying the period of time for which such decision is to be made.

51. The annual individual performance appraisal of Employees shall be carried out in accordance with the procedures established by the CEO. Employees who may be eligible for a Bonus shall be briefed in advance by their line manager on the criteria for the award, the evaluation process and the results.

51. The amount of the bonus shall be determined in accordance with the following principles:

52.1. assessing the achievement of the Company's annual performance targets. It shall take into account the achievement of the Company's budget and/or other annual targets for the Company's activities, which shall be presented and/or approved by the Board of Directors of the Company in conjunction with the Company's annual budget;

52.2. assessing the performance, achievement of objectives and risk indicators of the CIU and/or the Company's business unit and/or team in which the Employee works;

52.3. assessing the fulfilment of the Employee's individual objectives and tasks as set out in the Employee's Individual Appraisal Plan or in the contract of employment and/or any other agreement.

In establishing the Employee's individual performance plan and in assessing the individual performance of an individual Employee, non-financial and behavioural ("soft") criteria, such as compliance with the Company's internal rules, procedures and instructions of the Board, communication with customers and investors, compliance with the rules, involvement in improving the Company's performance, professional development, etc., shall also be taken into account. The UNLOCK Test Employee Assessment Platform is used for the development of the individual appraisal plan (setting of objectives) and for the assessment of the Employee, or the objectives are set out in the Employee's contract of employment and/or other agreement.

53. The setting and assessment of performance targets also takes into account the Company's sustainability principles and risk management, in line with the Responsible Investment and Sustainability Risk Integration Policy, in order to avoid excessive risk-taking and to promote responsible investment practices.

54. The inclusion of sustainability principles alongside other non-financial and behavioural ("soft") criteria reflects the Company's approach and efforts to achieve its sustainability objectives. The results of achieving the Sustainability Goals may vary depending on an Employee's role and location within the organisation, and the performance evaluation will therefore seek to reflect each individual's unique contribution and impact. Awarding of bonuses from CIU funds

55. The Management Board of the Company shall decide on the payment and granting of Bonuses to Employees whose activities are related to the management of the CIU's assets, in accordance with the provisions of the CIU's founding documents and the indicators set out in the Policy Articles 52.2 -52.3.

### **PAYMENT OF BONUSES**

56. A bonus calculated and approved in accordance with the procedures set out in this Policy shall be paid to the Employee in cash. The terms of payment shall be as follows:

56.1. 60% of the Bonus shall be paid in a single payment in accordance with an order of the CEO of the Company or a decision of the Management Board of the Company;

56.2. the remaining 40% of the Bonus shall be paid on a pro rata basis over three years, starting no earlier than one year after the end of the Employee's performance appraisal, with a pro rata amount paid annually. The competent body of the Company may decide on a longer deferral period of up to 5 years, considering the life cycle and operational characteristics of the Company or the relevant CIU. If the size of the Bonus is particularly large, a deferral of at least 60% of the amount may be decided.

57. If the annual Bonus awarded to an Employee is up to 25% of his/her annual salary and is less than EUR 50 000 before tax, the entire Bonus shall be paid in a single payment without the deferral period provided in this Policy Article 56.2.

58. The premium deferral period provided for in Article 56.2 of this Policy may be extended or shortened depending on the life cycles of the CIU. The Company may vary the deferral period depending on the type of the CIU, the duration of the activity and other conditions.

59. The Management Board of the Company may decide to waive the deferral period provided for Article 56.2 of this Policy by granting the Bonus provided in Article 55 of this Policy on the basis

of the principle of proportionality as set out in Article 23 of the Policy, provided that this is compatible with the risk profile of the Company and the CIUs it manages, the CIUs' life cycle, the redemption policy and that the conditions set out below are all met:

59.1. The CIU has ceased investment activity (the investment period of the CIU is over);

59.2. The participants in the CUITs are reimbursed for the amount they have invested, the minimum return (hurdle rate) they have paid, and the right to a success fee, in accordance with the CUITs' instruments of incorporation;

59.3. The Company, the CIU Team and/or the Employee have properly implemented the CIU investment strategy and achieved/met the CIU performance targets;

59.4. During the term of the KIS, the Employee has complied with the Company's policies and procedures in the performance of his/her functions and has met the other non-financial and behavioural ("soft") criteria set out in Article 52.3 of the Policy;

59.5. the Employee shall be covered by an Agreement until the winding-up of the CIU, or for a longer period if specified in the CIU's instruments of incorporation.

60. A reassessment of performance and a risk adjustment are required before the deferred portion of the Bonus can be paid. An adjustment must be made if errors or risks have occurred between the time the Bonus is awarded and the time of payment. An assessment must also be made as to whether any other conditions for suspension of the payment of the Bonus, as set out in Article 65 of the Policy, have occurred. The Group Head of Risk Management is involved in this process.

61. In accordance with Article 23 of the Policy, the Company does not impose a requirement for the mandatory payment of the Bonus by financial means and withholding.

62. If the Company provides such an opportunity, the Employee may choose other incentive measures instead of the Bonus or its part, such as options of AB Invalda INVL (as defined in the Policy on Establishment of the Remuneration and Incentives Systems), Pension contributions or Insurance payment. The deferral provided in Article 56.2 of the Policy shall also apply to the following incentives. With regard to the options of AB Invalda INVL, the pro rata payment shall be exercised by means of the allocation of shares (i.e. the granting or acquisition of the right to acquire the relevant number of shares at different dates), in accordance with the procedure and under the conditions set out in the option agreements. With respect to pension contributions or insurance premiums, the portion of this incentive that is not subject to deferral may, at the Company's discretion, be further deferred in equal instalments for a period of up to 12 months.

63. If the Employee's employment relationship ends before the Bonus is paid, the competent body of the Company shall decide on the payment of the deferred portion of the Bonus. If the termination of the employment relationship is due to the fault of the Employee, the Employee shall forfeit the right to the Bonus.

64. The competent body of the Company shall have the right to require the Employee to repay all or part of the Bonus paid to him/her if it appears that the Bonus has been paid to him/her as a result of dishonesty or error on the part of the Employee.

65. The Company may suspend the payment of the Bonus, reduce the amount of the Bonus or decide not to pay the Bonus if the Employee breaches the obligations set out in the employment contract or other documents. The Group Head of Risk Management shall be involved in the decision to suspend the payment of the Bonus.

## **DISCLOSURE OF INFORMATION**

66. The Company must publish the Notice on its website within four months of the end of the financial year, together with the Management Report. The content and scope of the Notice must comply with the conditions set out in the Requirements.

67. The announcement shall be made by means of a disclosure in the Company's Management report. The CEO may decide to implement the publication obligation by means of a separate announcement of the Company's Policy, or may choose another form in accordance with the Requirements.

68. As part of the disclosure of information on CUIs, separate CUI remuneration reports are prepared after the end of the financial year, summarising the remuneration of CUI executives during the last financial year. These reports shall be included in the Company's Management report and shall be submitted to the ordinary general meetings of shareholders of CEIC.

69. Shareholders attending the ordinary general meeting of CEIC's shareholders at which the CEIC remuneration report is presented shall have the right to make comments. In the next remuneration report, the Company shall explain how the comments made by CEIC shareholders have been taken into account.

70. In order to make the remuneration report easily accessible to the shareholders of the UIB and to allow potential investors and interested parties to have access to the remuneration information of the persons deemed to be the directors of the UIB, the remuneration report shall be made publicly available on the UIB's websites after the General Meeting.

## **FINAL PROVISIONS**

71. Nothing in this Policy shall entitle Employees to claim a Bonus until the Board of Directors or the Chief Executive Officer of the Company decides to award a Bonus in respect of a particular Employee. Any Bonus awarded shall be deemed to be a one-off Bonus regardless of whether the decision specifies a period of time.

72. Relationships not covered by this Policy shall be subject to the provisions of the Policy on the Establishment of the Remuneration and Incentives Systems. In the event of any conflict between these documents, the provisions of this Policy shall prevail.

73. The internal auditor or external experts engaged by the Company must conduct an internal review of the Company at least once a year to determine whether the implementation of the Policy is in accordance with the Company's internal policies and procedures as approved by the Company's Board. The results of this review shall be reported to the Board of Directors of the Company.

74. The Management Board of the Company, which also acts as the Policy's supervisory body, shall approve and periodically review the general principles of this Policy and shall be responsible for their implementation.

75. If the periodic review reveals that the remuneration system is not functioning as intended, the Management Board of the Company must ensure that a corrective action plan is established and implemented in a timely manner.

76. The Company's HR and Administration Unit is responsible for reviewing the Policy and informing the Bank of Lithuania in the cases and to the extent provided for by the legislation.

77. The Policy shall be approved and amended by the Management Board of the Company.

78. The Policy, which includes information on how the Policy fits in with the integration of sustainability risk as specified in the Regulation, is publicly available on the Company's website at [www.invl.com](http://www.invl.com) as well as on the websites of the CEIC: <https://bre.invl.com/>, <https://invltechnology.lt/>.

79. This Policy has been concluded for UAB "INVL Asset Management" Employees. The Lithuanian text of the document shall prevail over the English text.