

# Compensation policy

## Luxcara Group

### Compensation Policy

10 March 2021

#### Introduction and Principles

Luxcara strives at creating a lasting positive impact by managing assets with a long-term perspective to the benefit of our clients and societies in general.

We adopt a similar long-term approach to employee compensation in support of our business strategy and encourage a corporate culture of commitment, and accountability over the long term. This approach reflects our belief that employees' interests should be closely aligned with those of our clients.

Luxcara is an equal opportunity employer and does not discriminate against employees based on age, gender, nationality, or any other basis that is inconsistent with our corporate values. In order to attract the most talented individuals who are committed to our mission, we reward contribution and have developed a transparent compensation scheme based on our "pay for performance" and "fair pay" policy while simultaneously creating a long-term alignment of interest. Hence, the compensation scheme is split into a short-term-incentive (STI) and a long-term-incentive (LTI) and further considers qualitative assessments of the compliance with the firm wide Sustainability Risk Policy.

#### Components

<b>Pay mix</b>	Base salary + 2 variable components:
<b>Component</b>	<ul style="list-style-type: none"> <li>• Short-term: deferred cash bonus 0 – 100%</li> <li>• Long-term: equity-related compensation depending on seniority level</li> </ul>
<b>Bonus</b>	Dependant on: <ul style="list-style-type: none"> <li>• Individual goals</li> <li>• Team goals</li> <li>• Company's financial target</li> </ul>
<b>Equity-related long-term incentive</b>	Possible for highest position in departments Investment, Project, Technical, Fund and Corporate
<b>Caps</b>	100% with a clawback regulation in place
<b>Sustainability Risk</b>	Qualitative assessment of compliance with ESG Risk Policies

#### Short-term incentive (STI)

The STI is split into a base salary and evenly paid out monthly while the variable remuneration is deferred and payed as a bonus either once a year or twice a year or stretched over two years.

The base salaries for all employees are based on an individual's role and the level of responsibility for the upcoming term. It is fixed contractually, is reviewed once a year and typically only significantly adjusted if there is a change of role.

The variable elements in the company's compensation framework are relative to individual and team objectives as well as to the company's overall achievements.

The amount of the STI's variable part is defined in advance at the beginning of term in accordance with the upcoming year's objectives and expectations for the overall performance of the company. Awarded at year-end, it is reduced if the defined individual, team and company's objectives are not met.

### **Long-term incentive (LTI)**

The LTI is an equity-related compensation for executive board members. We believe that with increasing seniority and responsibility a larger part of an employee's total compensation should be tied to long-term goals and hence have longer pay-out mechanisms. The LTI in form of equity contribution depends on a five-year-performance period with a two-year selling restriction afterwards. The length of the period goes in line with Luxcara's focus on sustainable value creation while avoiding inappropriate risk-taking or short-term profit maximisation at the expense of long-term return generation for our clients. A Good and Bad Leaver policy is in place. In addition to the quantitative assessment, another component of the LTI is the measurement of strategy implementation and leadership achievements.

### **Risk alignment**

Luxcara acknowledges that the Compensation Policy, and an individual employee's remuneration, must be consistent with and promote sound and effective risk management and not encourage risk-taking that exceeds the level of tolerated risk of Luxcara.

The risk-limiting features of the Compensation Policy include (amongst other things) the application of non-financial metrics, such as an assessment of an employee's compliance with the Luxcara's Sustainability Risk Policy, where applicable.

### **Performance measurement**

Under the Compensation Policy, Luxcara carries out an assessment of an individual's performance, when assessing and determining variable remuneration. This assessment is based on both quantitative criteria (for example, financial performance of the individual and their business unit) and qualitative criteria (for example, holistic assessment of general adherence to certain policies and procedures).

The qualitative criteria used include, among others, an assessment of whether the relevant individual employee has complied with the Firm's sustainability policies, including the Sustainability Risk Policy.

This assessment of compliance with the Sustainability Risk Policy will be carried out by the Managing Board. In general terms, a positive or neutral assessment of overall compliance by an employee with the Sustainability Risk Policy would not in itself be expected to contribute to any additional variable remuneration being awarded to an individual employee. However, in extreme cases, a negative assessment of overall compliance by an individual employee with the Sustainability Risk Policy may result in a reduction in the variable remuneration amount which would otherwise have been awarded to that individual. The amount of any such reduction must be personally approved by the Firm's Managing Board and is determined at the sole discretion of the Managing Board.

### **Employee bonding**

We are fully aware that compensation is no substitute for talent development. Even though it is an important pillar of governance and leadership, it is no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the company's most precious asset: our team. This compensation policy therefore forms part of Luxcara's holistic employee bonding programme.