Algebris Investment (Ireland) Limited

Remuneration Policy

February 2025

Introduction

1. Regulatory context

The Remuneration Policy ("the Policy") of Algebris Investments (Ireland) Limited ("the Company" or "Algebris") is set out below in accordance with ESMA's Guidelines on sound remuneration policies under the UCITS Directive and ESMA's Guidelines on sounds remuneration policies under the AIFMD (the "ESMA Guidelines") and also with the requirements of both the Swiss Federal Act on Financial Services of 15 June 2018 ("FinSA") and the Swiss Ordinance on Financial Services of 6 November 2019 ("FinSO") for its sales office in Zurich (the "Zurich Office").

Regulation 24A of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (as amended) (the "UCITS Regulations") requires UCITS management companies, such as the Company to, "establish and apply remuneration policies and practices that (a) are consistent with and promote sound and effective risk management, (b) do not encourage risk taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS that the management company manages, and (c) do not impair compliance with the management company's duty to act in the best interest of the UCITS that it manages".

Article 13 of AIFMD (transposed into Irish law pursuant to Regulation 14 of the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended) (the "AIFM Regulations") requires, inter alia, all authorised AIFMs to have remuneration policies and practices that are "consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AIF it manages."

Information on the integration of sustainability risks in the Company's remuneration procedures, as required by the EU Sustainable Finance Disclosure Regulation ("SFDR") is available as detailed in Section 12 of this policy.

2. Background to the Company

The Company has been authorised by the Central Bank of Ireland as a UCITS management company pursuant to the UCITS Regulations and an Alternative Investment Fund Manager ("AIFM") pursuant to the AIFM Regulations.

3. Application

In preparing this Remuneration Policy, the Company has taken into account the nature, scale and complexity of its business. In determining the range of activities to be undertaken by the Company, the Company has given due consideration to the number of funds it acts as a UCITS management company and/or AIFM for, the type of investments of the Funds, the investment strategies of the Funds, the investment location, the distribution model and the investor base of the Funds. Due consideration has been given to the resources available to the Company and the resources and expertise of the various third parties engaged to support the Company and carry out certain functions on its behalf.

The Policy governs the processes concerning the payment of remuneration to the Company's in-scope members of staff i.e. Identified Staff. For clarity, this Policy applies to the Company, and the Milan Branch and Zurich Office of the Company.

4. General Requirements

UCITS management companies/AIFMs are required to have remuneration policies and practices in place which are consistent with, and promote, sound and effective risk management and do not encourage risk taking which is inconsistent with the risk profiles, rules or instruments traded by the funds that they manage and of the Company itself.

This remuneration policy is designed to encourage the alignment of the risks taken by the Company's staff with those of the funds it manages, the investors of such funds and the Company itself; in particular, the policy takes into consideration the need to align risks in terms of risk management and exposure to risk. The policy is:

- in line with the business strategy, objectives, values and interests of the Company;
- does not encourage excessive risk taking as compared to the investment policy of the funds the Company manages, and
- enables the Company to align the interests of the Company and funds and their investors with those of the Company's staff subject to this policy as set out in the list of Identified Staff that manage funds.

The Company has determined the Remuneration Policy's compliance in a way which is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

These requirements apply to remuneration of any type paid by the Company or from the funds it manages, including carried interest, as well as any transfer of units/shares of the fund, made in exchange for professional services rendered by the Company to certain Identified Staff.

In addition, with reference to remuneration concerning the Zurich Office, the Company shall also ensure compliance with both the FinSA and FinSO and undertakes, in particular, that in the case of compensation received by the Zurich Office from a third party in association with the provision of a financial service to the client:

- the client to which the provision of the financial service relates is informed beforehand about such compensation and relinquishes it; or
- the compensation is passed on to the clients in full.

Identified Staff

The provisions of this Remuneration Policy only apply to "Identified Staff" of the Company, and the Milan Branch and Zurich Office of the Company. Identified Staff is defined by ESMA as staff members who have a material impact on the Company's risk profile, as follows:

> "categories of staff, including senior management, risk takers, Control Functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company's risk profile or the risk profiles of the UCITS and/or AIFs that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the management company, whose professional activities have a material impact on the risk profiles of the UCITS that the management company manages."

For the above purposes, "Control Functions" means:

> "staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company (e.g. the CFO to the extent that he/she is responsible for the preparation of the financial statements)".

For the above purposes, "remuneration bracket" means:

> "the range of the total remuneration of each of the staff members in the senior manager and risk taker categories —from the highest paid to the lowest paid in these categories."

The above definitions are consistent with those set out in the ESMA Guidelines.

The following categories of staff, unless it is demonstrated that they have no material impact on the Company's risk profile or the funds it manages, should be included as Identified Staff:

- directors;

- senior management;
- staff responsible for Control Functions (e.g. Designated Persons);
- staff responsible for heading the investment management, administration, marketing, and
- other risk takers such as staff members who acting individually or as part of a group can exert material influence on the Company's risk profile or on the Fund(s) it manages.

Additionally, staff whose remuneration takes them into the same bracket as senior managers and risk takers but who don't fall into one of the categories above must be assessed to determine whether they have a material impact on the risk profile of the Company or on the funds it manages and should be included as Identified Staff.

A list of the Company's Identified Staff is maintained. It should be noted that the inclusions of persons on the list of Identified Staff shall relate specifically to their role within the Company and their remuneration (if any) received directly by the Company and shall not affect any other role remuneration such persons may otherwise receive from entities connected with the Company, delegate of the Company or otherwise.

Where Identified Staff are not paid directly by the Company, the Company shall ensure that it is satisfied that the entities which are responsible for the remuneration of such individuals have established a remuneration policy that is in line with the applicable regulations or that is equally effective.

Any new staff will be considered for inclusion on this list when they are hired or if their role changes. This will be the responsibility of the Chief Executive Officer in consultation with the Head of Compliance who will make recommendations to the Board to include staff on this list.

The list will be reviewed by the Board on an annual basis.

5. Delegates

When delegating portfolio management or risk management activities the Company will ensure that:

a) in the event Portfolio Management and/or Risk Management activities have been delegated that these Remuneration principles on remuneration are applied to the delegate as they are required to be subject to remuneration rules that are equally as effective or that the Company applies, by contract, adherence to the Company’s own Remuneration Policy.

b) appropriate contractual arrangements are put in place with entities to which Portfolio Management or Risk Management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the present guidelines; these contractual arrangements should cover any payments made to the delegates’ Identified Staff as compensation for the performance of portfolio or risk management activities on behalf of the Company.

6. The Company’s General Risk Management Framework & Statement of Responsibilities

The Company has implemented policies, procedures and practices in order to identify, measure, manage and monitor risk. These are proportionate given the nature, scale and complexity of the Company’s activities and its risk tolerance.

Risk Management is detailed in the Company’s ICAAP and comprises:

- definition of the Company’s risk tolerance;
- risk identification;

- risk documentation;
- risk monitoring;
- risk measurements; and
- management Mitigation

In addition, the Company has adopted the following **Statement of Responsibilities**:

Given the size, internal organisation and the nature, scope and complexity of the activities of the Company, it does not have a separate supervisory function, therefore the Remuneration Policy's supervisory function will be undertaken by the Board. The Board is responsible for approving and maintaining this Policy and overseeing the implementation of this Policy which will align the Company's remuneration practices with its risk tolerance.

The Board is responsible for the total process of risk management, which includes the Risks which emanate from the way in which the Company compensates its staff and partners/members. The Board, in liaison with all relevant senior management, sets the risk profile of the Company and its related policies and procedures as detailed below. This Policy is reviewed by the Board at least annually.

The Board decides the Company's tolerance to risk – those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Board ensures that the Company has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and subsequently to ensure that such risks are actively managed.

The Designated Person for Capital & Financial Management will monitor the Company's Remuneration Policy in connection with its liquidity and capital requirements. The Head of Risk has the specific role of identifying, measuring and monitoring the risk profile of the Company on a day to day basis and reporting. Human Resources are responsible for ensuring the Remuneration Policy is properly implemented. The Head of Compliance will ensure that the Company's Remuneration Policy complies with the relevant legislation and regulations.

The Board in conjunction with the relevant senior management within the Company sets the overall Remuneration Policy for the Company. This is reviewed at least annually, taking into account the current and future risks and the cost and quantity of capital and liquidity required, having regard to the Company's financial forecasts.

7. Remuneration Principles

It is primarily the responsibility of the Company to assess its own characteristics and to develop and implement remuneration policies and practices which appropriately align the risks faced and provide adequate and effective incentives to its Identified Staff.

When establishing and applying the total remuneration, inclusive of salaries and discretionary pension benefits for Identified Staff, the Company shall comply with the following general principles in a way and to the extent that is appropriate taking into account its size, internal organisation and the nature, scope and complexity of its activities. The Company has documented which principles it is not applying based on its assessment of proportionality.

These Principles are as follows:

1. Risk Management
2. Supporting business strategy, objectives, values and interests and avoiding conflicts of interest
3. Governance
4. Control Functions
5. Remuneration Structures (sub divided into 7 sections)
6. Measurement of Performance
7. Pension policy
8. Personal Investment Strategies
9. Avoidance of the Remuneration Policy.

The below sets out the approach to each principle, in turn; recognising that in some, exceptional, instances and following an assessment by the Company, certain of these may be disapplied entirely.

1 Risk management

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the funds they manage. The risk-limiting features of this Policy include (amongst other things) application of non-financial metrics, such as an assessment of an Employee's compliance with the Company's risk management and relevant compliance policies (including the Algebris Sustainability Risk Policy, where applicable).

This assessment of compliance with the Company's Sustainability Risk Policy will be carried out by the relevant 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, there may be a negative impact on variable remuneration where material non-compliance has been identified.

The Company applies this Principle.

2 Supports business strategy, objectives, values and interests and avoiding conflicts of interest

The remuneration policy is in line with the business strategy, objectives, values and interests of the Company and the funds it manages or the investors of such funds and includes measures to avoid conflicts of interest.

The Company has adopted policies and procedures aimed at mitigating any potential conflicts that may arise between staff members and the Company, staff members and the funds it manages and between one fund and another/others. The Company maintains a Conflict of Interests Register which includes potential conflicts relating to remuneration, as well as the procedures the Company has implemented to mitigate these conflicts. In circumstances where the Company is unable to mitigate a conflict, the conflict is disclosed to its client, the funds it manages, and is included in the Company's Risk Register and additional capital is assigned to it, where appropriate, to ensure that if such a risk were to materialise, the business would be able to absorb any consequences.

With reference to the Zurich Office, when disclosing a conflict of interest to the client[1] (i) the circumstances behind the conflict of interest, (ii) the resultant risks for the client and (iii) the precautions taken by the Company to reduce the risk, shall be explained in general terms.

The Company applies this Principle.

3 Governance

The Board adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Board in its supervisory function.

Given the size, internal organisation and the nature, scope and complexity of the activities of the Company it does not have separate supervisory functions, therefore this supervisory function is the direct responsibility of the Board.

[1] The requirements for the content and form of the information to clients are explained in the Transparency Policy.

The Board will ensure that the implementation of the Remuneration Policy is, at least annually, subject to central and independent internal review, and will address whether it operates as intended and remains compliant with national and international regulations, principles and standards.

This Policy will be reviewed by the Compliance Department on an annual basis to ensure that it remains up-to-date given regulatory developments during the period, and that it continues to reflect the Company's remuneration practices and reliance on proportionality. This will then be presented to the Board for its review and approval.

4 Control Functions

Staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Staff operating in Pre-approval Control Functions are remunerated according to their objectives which are set taking account of the potential conflicts of interest from their area of responsibility and specific role.

The Company applies this Principle.

5 Remuneration Structures

5 (a) Assessment of Performance

Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or fund concerned and of the overall results of the Company, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

The level of importance of performance of each criterion is determined in advance, and adequately balanced to take into account the position or responsibilities held by Identified Staff and other individuals.

The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the funds managed by the Company in order to ensure that the assessment process is based on longer 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 funds it manages and their investment risks.

The Board operates an annual review framework for the assessment of performance and pay out.

The Company applies this Principle.

5 (b) Guaranteed variable remuneration

Guaranteed variable remuneration is exceptional, occurs only in the context of hiring new staff and is limited to the first year.

The Company applies this Principle.

5 (c) Ratios between fixed and variable component of total remuneration

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component.

The Board balances the fixed and variable component of remuneration of Identified Staff.

The Company applies this Principle.

5 (d) Payments related to early termination

Payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

In determining early termination payments, the Company may have regard to the performance of the staff over a period of their employment benchmarked against general market practice. In reviewing that person's performance, the Company will have regards to both financial and non-financial performance. Any adjustments will be approved and documented by the Board. The Company will ensure that any payment does not impact materially on the Company's capital or liquidity requirements.

The Company applies this Principle.

5 (e) Retained units, shares or other instruments

Subject to the legal structure of the fund and its rules or instruments of incorporation, a substantial portion, and in any event at least 50% of any variable remuneration consists of units or shares of the fund concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments, unless the management of funds accounts for less than 50% of the total portfolio managed by the AIFM, in which case the minimum of 50% does not apply.

The Company will not apply this Principle because:-

- Certain funds are closed-ended and there are no units available to acquire;
- Certain funds cannot be legally marketed to some/all of Identified Staff
- An investment by Identified Staff could result in adverse tax consequences.

5 (f) Deferral

A substantial portion, and in any event at least 40%, of the variable remuneration component, is deferred over a period which is appropriate in view of the life cycle and redemption policy of the fund concerned and is correctly aligned with the nature of the risks of the fund in question.

The Company does not apply this Principle following its assessment of Proportionality.

5 (g) Performance adjustment, etc

The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Company as a whole, and justified according to the performance of the business unit, the fund and the individual concerned.

The Company applies this Principle in line with its assessment of Proportionality.

6. Variable Remuneration Adjusted to Account for Current and Future Risks

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.

The Company's risk management process is discussed above and in determining variable remuneration current and future risks are taken into account and adjust variable remuneration where appropriate. The Company 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) including whether the relevant individual Employee has complied with the Algebris sustainability policies, including the Sustainability Risk Policy.

The Company applies this Principle.

7. Pension Policy

The pension policy is in line with the business strategy, objectives, values and long-term interests of the Company and the funds it manages.

If the Employee leaves Algebris before retirement and whilst any contribution by Algebris will cease the pension will remain with the pension provider at the Employee's discretion. In the case of an Employee reaching retirement, discretionary pension benefits shall be paid to the Employee in accordance with the relevant scheme.

8. Personal Investment Strategies

Staff are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The Company maintains effective arrangements to ensure that all Staff comply with this requirement.

The Company applies this Principle.

9. Avoidance of the Remuneration Policy

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of this Directive.

This Principle applies to remuneration of any type paid by the Company made to the benefit of any Identified Staff. The Company will not direct Variable Remuneration subject to deferral or in instruments with a similar investment profile as the funds the Company to a Pension Scheme.

10. Assessment of Proportionality Elements

Regulation 24B(1) of the UCITS Regulations and Schedule 2 of the AIFM Regulations state that management companies shall comply with the remuneration principles "in a manner and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities."

While it is noted that the ESMA Guidelines do not expressly provide for the disapplication of certain remuneration principles on the grounds of proportionality, this is not expressly prohibited either. Indeed, ESMA indicated, in a letter to the European Commission on this issue, that:

> *' there might be cases where the application of the pay out process rules to the staff of the delegate would not be proportionate and would not achieve the outcome of aligning the delegates' staff interests with those of the investors in the UCITS. "*

In the absence of further guidance or legal clarification from the European Commission, ESMA or the Central Bank, it is noted by the Company that an applicable delegate may determine to disapply the certain principle on the grounds of proportionality - based on the proportionality criteria outlined in the ESMA Guidelines on (i) size, (ii) internal organisation and (iii) nature, scope and complexity of the relevant delegate's business.

Factors that the relevant delegate may consider in arriving at such a conclusion may include the size of the delegate's balance sheet, the proportionate value of UCITS assets managed relative to non- UCITS assets managed (and resultant UCITS/non-UCITS revenue generated) and therefore whether the assets managed by the relevant delegate are not "potentially systemically important" (e.g. in terms of total assets under management).

This approach will be reviewed and reassessed, as necessary for subsequent financial periods following the issuance of any further regulatory guidance or legal clarification that conflicts with this current position.

11. Absence of a Remuneration Committee

It is noted that the requirement for a UCITS management company/AIFM to establish a remuneration committee (pursuant to Regulation 24B(3) of the UCITS Regulations and Section 3 of Schedule 2 of the AIFM Regulations) applies to a UCITS management company/AIFM;

"*that is significant in terms of its size or the size of the UCITS/AIFs that it manages, its internal organisation and the nature, scope and complexity of its activities."*

This criteria is to be assessed in accordance with the Guidelines.

The ESMA UCITS Guidelines (paragraph 55) and the ESMA AIFMD Guidance (paragraph 53) provide inter alia that:

"When assessing whether or not a management company/AIFM is significant, a management company/AIFM should consider the cumulative presence of all the three factors (i.e. its size or the size of the UCITS/AIFs it manages, its internal organisation and the nature, scope and complexity of its activities). A management company/AIFM which is significant only with respect to one or two of the three above factors should not be required to set up a remuneration committee. "

In terms of what "internal organisation" means, the ESMA elsewhere state as follows: "Internal organization: this can relate to the legal structure of the management company/AIFM or the UCITS/ AIFs it manages, the complexity of the internal governance structure of the management company/ AIFM, the listing on regulated markets of the management company/AIFM or the UCITS/AIFs it manages. This criterion should be assessed having regard to the entire organisation of the management company/AIFM including all the UCITS/AIFs it manages, meaning that for instance, the listing of one UCITS/AIFs should not by itself be sufficient for considering the management company/AIFM as having a complex internal organisation.

Having assessed this, the Company has determined that it is not "significant" with respect to its internal organisation and therefore shall not be required to establish a remuneration committee.

12. Disclosure

Additional disclosure of the general principles of this policy (including information on how this policy is consistent with the integration of sustainability risks, as required by SFDR) is made available on the Algebris website.