



POLICY PAPER

REMUNERATION POLICY

JUNE 2023

- FOR PUBLICATION -

Purpose of this policy

This policy has been approved by the Board of Directors (the “Board” or the “Directors”) of the Investing for Development SICAV (the “Fund”) upon recommendation from the Fund’s Employment Committee on May 16th, 2017, to be applied with immediate effect and to all Sub-Funds. The policy will be reviewed on a regular basis and has been last amended by the Board on June 27th, 2023.

This document sets out the policy to remunerate the Fund’s employees with a view to the long-term alignment of interests of employees, the Fund’s shareholders and other stakeholders. The policy also aims to create a favourable work environment to attract and retain staff.

As required by the applicable regulations, the Board is responsible for establishing the general principles guiding the remuneration of key employees of the Fund and monitoring their application. The Board is assisted in this matter by the Employment Committee, composed of non-executive members of the Board.

The Board believes that the present policy is proportional to the size and complexity of the Fund’s operations.

The present policy is applicable to all employees of the Fund.

1. Laws and Regulations

Under Luxembourg Law, SICAVs must be governed in such a way as to minimise the risk of investors’ interests being prejudiced by conflicts of interest, including those arising from inadequate incentive structures for key employees.

On 1 February 2010, the CSSF issued **Circular 10/437** describing guidelines concerning remuneration policies in the financial sector. The main focus of the Circular is to ensure that “The remuneration policy shall be in line with the business strategy, objectives, values and long-term interests of the financial undertaking, such as sustainable growth prospects, and be consistent with the principles relating to the protection of clients and investors in the course of services provided.”

The Sustainable Finance Disclosure Regulation (“SFDR”) (EU Regulation 2019/2088) includes in Article 5 the requirement to include information on the consideration of sustainability risks in remuneration policies.

2. Remuneration structure and principles

The Remuneration policy has been designed to ensure employees are rewarded for behaviour that upholds a culture aligned with the interests of clients and shareholders, and specifically to encourage responsible behaviour that supports long-term sustainability, environmental, social and governance risk (“ESG risks”) and impact goals.

The Fund is also a fair and inclusive employer and does not discriminate based on gender, religion, ethnicity, or age. The Fund does not accept that its remuneration structure leads to an unjustified gender pay gap.

The Fund's remuneration structure includes a fixed annual salary and in-kind benefits. The fixed salary constitutes the main element of the total remuneration and is the primary means to compensate employees for the good execution of their tasks and responsibilities. The fixed salary should at all times constitute at least two thirds of the total annual remuneration.

The fixed remuneration is determined for each employee periodically on the basis of comparable market compensation levels.

The remuneration structure also includes a variable component. Variable remuneration is granted to employees to recognize individual achievements and the Fund reaching its strategic objectives, including its sustainable investment objectives. The variable remuneration is designed in a way to avoid excessive risk taking.

There is no guaranteed entitlement to receiving a variable compensation. The payment of a variable compensation remains discretionary and can never lead to a vested right for the employee. Thus the payment of a variable compensation can be withheld entirely or partly by the Fund.

3. Criteria used to determine variable remuneration

Criteria used in the performance assessment to determine variable remuneration reflect the vision and mission of the Fund to generate social and environmental impact alongside financial returns. The variable remuneration structure also takes into account the long-term nature of many of the Fund's objectives.

Criteria to determine variable remuneration may include one or several of the following elements, based both on individual performance targets and the Fund as a whole reaching certain objectives:

- The efficient execution of the Fund's investment policies;
- Consistent financial performance in line with the Fund's objective;
- Reaching certain social and/or environmental impact targets, including compliance with the definition of sustainable investments under SFDR;

- Raising of shareholder funds as evidenced by net inflows;
- No occurrence of material Principle Adverse Impact Indicators, as defined in the SFDR;
- Successful management of the Fund's operations, execution of risk management policies, including on sustainability related risks and financial and non-financial reporting.

Performance of each employee is assessed on an annual basis. The Executive Director is responsible for assessing the performance of all other employees. The Employment Committee and the Board assess the performance of the Executive Director.

Changes to the fixed remuneration and variable remuneration are decided by the Board of Directors annually based on a recommendation from the Employment Committee. The recommendation from the Employment Committee includes the number of bonus shares to be granted as well as a review of the vesting eligibility of bonus shares in line with the criteria listed in section 4.2.

4. Instruments for the variable remuneration element

4.1 Cash Bonus

All employees not considered as key staff as described in Article 1.2 of CSSF Circular 10/437, and who do not comply with the eligibility criteria set out in 4.2 of this policy may receive an annual cash bonus of a maximum of three times the monthly salary. A maximum cash bonus is only granted in case of exceptional performance.

Cash bonuses may be reclaimed by the Fund during the period of three years subsequent to their being paid if the employee has engaged in illegal or fraudulent activity or caused significant damage to the Fund due to gross negligence.

4.2 Bonus Shares

Employees considered as key staff and who have been employed by the Fund for at least 2 years may receive a variable remuneration in the form of shares of the Fund. Variable compensation may consist only of shares or a mix of shares and cash bonus. The cash bonus may not constitute more than 50% of the total bonus. The Board decides upon recommendation from the Employment Committee which employees are

considered key staff in line with the CSSF circular.

The total annual variable remuneration through bonus shares and cash may not, upon granting, exceed a value of four monthly salaries of the employee.

Bonus shares are blocked during a three-year vesting period following the date of their being granted. During the vesting period, bonus shares may be cancelled without compensation if:

- The Employee resigns from the employment contract;
- The Fund decides to terminate the employment contract for gross misconduct (“faute”)
- The Employee engages in fraudulent or grossly negligent actions;
- The financial performance of the Sub-Fund (which has issued the bonus shares) deviates materially and negatively from the targets defined in the Prospectus;
- The Sub-Fund faces significant and unexpected outflows of shareholder funds exceeding 30% of its net assets;
- The Fund faces significant sustainability related risks in the area of environmental and or social harm caused through its investments.

The decision to cancel bonus shares during the vesting period is made by the Fund’s Board of Directors upon recommendation by the Employment Committee.

The Board decides at the creation of a Sub-Fund which share class is used for the granting of bonus shares. When making such determination, the Board considers possible conflicts of interest and misalignment of incentives due to the characteristics of the share classes. Bonus shares face the same redemption limitations as other ordinary shares of the same class.

The salary which serves as a basis for the granting of bonus shares is determined by the same proportion as the time allocation of each key staff member to each Sub-Fund as decided by the Board of Directors from time to time. The Board of Directors and the Employment Committee may differentiate work performance for different Sub-Funds and apply pro-rata the times monthly salary is granted as variable remuneration in relation to each Sub-Fund’s allocation key.

At the publication date of this policy, the Board decided that the following share classes be granted:

- Class B Shares of the Investing for Development SICAV – Luxembourg Microfinance and Development Fund;
- Class J Shares of the Investing for Development SICAV – Forestry and Climate Change Fund.

5. Reporting to shareholders

The annual and semi-annual report of each Sub-Fund lists details of the application of the remuneration policy during the reporting period, including the amount of fixed and variable remuneration and the number of total employees and key staff. The report also specifies the total number of bonus shares granted and vested during the period and the number of shares blocked during the vesting period.