Aquila Group

Remuneration Policy – Aquila Group

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5.0	05.05.2022	Update	HZO

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1. Objectives

This policy has the following objectives:

- implementation of legal and regulatory requirements
- Creation of a standardised basis for the compensation systems of the Aquila Group

2. Classification

2.1. Legal foundations

Please see chapter 3.1

2.2. Related documentation

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3. Contents

3.1. Preamble

The following Remuneration Policy applies to all employees (this includes in particular salaried employees as well as managing directors) of the fully consolidated companies belonging to the Aquila Group both in and outside of Germany, i.e. for all companies affiliated with Aquila Holding GmbH and Aquila Capital Holding GmbH within the meaning of §§ 15 et seq. AktG as well as Aquila Holding GmbH itself (hereafter the "Aquila Group"), this including in particular the regulated companies Aquila Capital Investmentgesellschaft mbH (Aquila Capital Investmentgesellschaft mbH, Aquila Capital Investmentgesellschaft mbH Amsterdam, Aquila Capital Investmentgesellschaft mbH Luxembourg, Aquila Capital Investmentgesellschaft mbH Sucursal En Espana and Aquila Capital Investmentgesellschaft mbH UK) and Aquila Capital Concepts GmbH. Furthermore, the Remuneration Policy applies to Aquila Capital Growth Holding GmbH, Aquila Capital Investment Holding GmbH, Aquila Sustainable Infrastructure GmbH and Aquila Clean Energy GmbH and their affiliated companies, whereby Aquila reserves the right to review and freely decide on the application to the Named Risk Takers on an annual basis.

The Aquila Group is obligated to report on and disclose information on its general remuneration policies, the compensation system used and the amounts of compensation paid. In accordance with Article 5 (1) of Regulation (EU) 2019/2088, Aquila Capital Investmentgesellschaft mbH will publish a brief description of its remuneration strategies on its website, addressing in particular the inclusion of sustainability risks.

Aquila Group's current remuneration policies and systems are based on the following regulatory directives:

- Article 13 of Directive 2011/61/EU issued by the European Parliament on June 8, 2011

  → **AIFM Directive**

- Guidelines of the European Securities and Market Authority which refer to the Alternative Investment Fund Manager Directive of July 3, 2013, last amended March 31, 2016

  → **ESMA-Guidelines AIFMD**

- Guidelines of the European Securities and Market Authority which refer to the OGAW V and AIFMD of March 31, 2016

  → **ESMA Guidelines OGAW V/AIFMD**

- Paragraph 37 of the Kapitalanlagegesetzbuch [Capital Investment Code]

  → **Compensation Systems and Directive Powers of the KAGB**

- German Directive on Institutional Compensation [Institutionsvergütungsverordnung] in the currently valid version, as applicable to the companies in the Aquila Group.
- Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector - Disclosure Regulation.

3.2. Definition

AIF	Alternative Investment Fund: According to Art. 4 of the AIFM Directive, an AIF is any collective investment undertaking, including its subfunds, which collects capital from a number of investors in order to invest it in accordance with a defined investment strategy for the benefit of those investors and which does not require authorization pursuant to Art. 5 of Directive 2009/65/EC (UCITS Directive - Undertakings for Collective Investment in Transferable Securities Directive).
AIFM	Alternative Investment Fund Manager An AIFM is any legal entity whose regular business is to manage one or more AIFs.

3.3. Aquila Group Compensation Strategy

Employee compensation plays a decisive role in successfully implementing Aquila Group's strategic business goals. Accordingly the compensation strategy is directed toward promoting a customer-oriented business model, with a reasonable employee-compensation practice that is flexible and consistent within the range of Aquila Group's capital and liquidity capacities and the customers' interests. The Aquila Group's employee-compensation strategy is also based on considerations of proportion that arises from the general principle of proportionality, whereby the Aquila Group implements the regulatory provisions in a way that is reasonable and in accordance with volume, internal organization, extent, complexity and degree of risk of the transactions.

With this in mind, the Aquila Group's compensation strategy pursues the following six goals:

1. Promoting a customer-oriented business strategy that ensures employee talent can be acquired and can become committed across various business areas.
2. Supporting long-term success and enduring development of the Aquila Group as well as maintaining the risk strategies deriving from this.
3. Supporting long-term growth and a corporate culture based on cost discipline and efficiency.
4. Ensuring solid compensation practices through risk adjustment in earnings, preventing taking on unreasonably high risks, compatibility with Aquila Group's capital and liquidity planning as well as observing all oversight regulations and regulatory requirements.
5. Cementing the goals pursued by Aquila Group such as being customer-oriented, providing professional service and acting as a good partner, as well as ensuring long-term profitability of its products.
6. The avoidance of inappropriate environmental, social and governance sustainability risks.

On the basis of these goals the Aquila Group has established the following principles for employee compensation:

- Use of a simple and transparent compensation system, which is oriented toward long-term success of the products managed on behalf of the customers.
- Compensation aligned toward long-term profitability of the Aquila Group taking into account risks and capital costs.
- Maximizing employee performance and business results in the long term.
- Finding and committing the best employee talent.
- Calibrating compensation over various areas, functions and levels of responsibility.
- Meeting regulatory requirements and requirements of oversight authorities.

Compensation to employees may not be in any form which may lead to unacceptable conflict with the interests of the customer. This applies in particular to employees in sales and procurement and also applies to the target goals. Where required by law – for instance for those companies in the Aquila Group to which the Financial Investment Procurement Directive (Finanzanlagenvermittlungsverordnung, "FinVermV") applies – such employees may not be compensated or rated in any way that may lead to a conflict in their obligation to act in the best interests of the customer (§ 11a Abs. 3 FinVermV. The Remuneration Policy is intended to avoid inappropriate sustainability risks from the environmental, social and corporate governance areas. To this effect, each employee must comply with the Aquila Group's ESG Policy.

3.4. Aquila Group Compensation Committee

The Aquila Group Compensation Committee is a central and independent institution which checks regularly, at least once a year that the compensation strategy is being correctly implemented. In this examination it works closely with the Compliance group. The examination in particular looks at whether the compensation system is working as intended and whether it is in compliance with national and international laws, principles and standards. The Management Boards of of the KVGs are involved prior to major changes or adjustments to the Remuneration Policy. The Compensation Committee consists of at least four permanent members, whereby the chairman of the committee is an external party without functional responsibility within the Aquila Group and who has a veto right. The Compensation Committee is intended to meet regularly at least twice a year, and must meet at least once every calendar year. The Compensation Committee has access to all data and information required for its tasks.

3.5. Calculation of Compensation

The total compensation of employees in the Aquila Group (hereafter "Total Compensation") is made up of two parts:

1.	Fixed compensation	monthly salary, pension contribution, company car, and (where applicable) monthly public-transportation ticket, housing allowance etc.
2.	Variable compensation	bonus, commission, special payments
=	**Total Compensation**	

Within the total compensation, the fixed and variable components must be in a reasonable proportion to one another. In addition the ratio of the fixed component to the Total Compensation must be reckoned in such a way that a flexible policy with regard to the variable component is possible at all times.

3.5.1. Fixed Compensation

The **fixed compensation** is based on the value of the job position/function exercised in accordance with market circumstances. Factors relevant to the compensation include: the skills, previous education and job experience of the employee as well as the qualifications called for. The amount of the fixed compensation is calculated to ensure that the employee is not significantly dependent upon the variable compensation. Accordingly the fixed compensation for managing directors, other management personnel and salaried employees in the Aquila Group is high enough to ensure reasonable compensation even in the event no variable compensation is paid. In addition to the base compensation, the Aquila Group supports its employees (where agreed in the employment contract on a case-by-case basis) with a company retirement plan consisting of a fixed amount of contribution. In addition the Aquila Group (where agreed by contract) provides supplementary payments for monthly public-transportation tickets and in cases where it may be required, also provides housing allowance. The Aquila Group also provides employees (where agreed by contract and in line with the Car Policy) with a company car.

3.5.2. Variable Compensation

In addition to the fixed compensation, the Aquila Group under certain conditions also provides for a **variable compensation** for its employees in the form of bonuses and/or commission. Guaranteed variable compensation can only be paid in exceptional cases in connection with the hiring of new employees and is limited to the first year.

3.6. Calculation of the fixed and variable compensation

The amount of variable compensation depends upon the following factors:

- success of the company,
- the risk situation,
- the individual's contribution to the company's success and
- the particular department's performance,

at the level of the Aquila Group, the AIFM and/or the AIF. Criteria on which the variable compensation may be based are listed in the appendix "Criteria for Variable Compensation" (Annex 1) for the various employee groups.

With regard to the variable compensation component, the Aquila Group has established a bonus pool, taking into account the risk profile and risk developments in the companies (i.e. the AIFM and/or AIF). Whether and in what amount a variable compensation is paid is decided on an annual basis retrospectively, adjusted with regard to profit and risk.

3.7. Evaluation of variable compensation for employees with a supervisory function

Where the employee being assessed for variable compensation is an employee with a supervisory function, the variable compensation must focus on the function specific responsibilities of the supervisory body. Although the variable compensation to an employee with a supervisory function may be based on criteria dependent upon a company's situation. If this is the case this additional risk of a conflict of interest must also be taken into account in calculating the variable compensation.

3.8. Salary Increases/Payment of Bonuses and Commissions

Salary increases as well as bonuses and commissions are undertaken/paid in the second quarter of each year, broken down by function, based on the following schedule:

	Salary Increase	Bonus/Commission
Standard AIFM functions	Mai	Mai
Sales | Investment Management		

Salary increases at intervals of less than a whole year may be undertaken as an exception due to internal reorganization or restructuring. They require an official request made to, and consent given by the respective Compensation Committee of the respective Business Unit of the Aquila Group.

Bonuses and commissions as a rule are deemed voluntary payments by the Aquila Group, which do not establish an entitlement to future bonus and commission payments. In addition to the degree to which the employee has reached individual targets, they will also depend upon the group earnings in the past fiscal year and are only paid upon the condition that the employment has not been terminated.

3.9. Identified Employees (Risk Taker)

In view of regulatory requirements, there are special conditions applying to the entitlement to bonuses and commissions and their payment and withholding in the case of management-level employees, risk-takers, employees with a Total Compensation which places them in the same income bracket as management-level employees, employees with substantial influence on the overall risk profile of the Aquila Group as well as those with supervisory functions (hereafter the "**Risk Taker**").

3.9.1. Risk Taker Analyses

To identify Risk Takers, the Aquila Group has carried out an extensive analysis of the company structures under consideration of the principle of proportionality. It was examined whether the company director and the employees at all levels of hierarchy may be classified as Risk-Taker due to their function, influence on risk, or their compensation. The following types of employees are found to be Risk Taker:

- All members of the Aquila Group Operations Board (AGO)
- All members of the Aquila Strategy Board (AGS)
- All managing directors and/or members of board of directors involved in the operative core business of affiliates of Aquila Holding GmbH, in particular
  - Aquila Capital Holding GmbH
  - Aquila Capital Investmentgesellschaft mbH
  - Aquila Capital Concepts GmbH
  - Aquila Capital Growth Holding GmbH
  - Aquila Capital Investment Holding GmbH
  - Aquila Sustainable Infrastructure GmbH
  - Aquila Clean Energy GmbH
- Employees in Corporate and Investment Management functions
  - Group Head | Finance
  - Group Head | Outsourcing Controlling
  - Group Head | General Counsel
  - Group Head | Operations
  - Group Head | Product Management
  - Group Head | Fund Management
  - Group Head | Human Resources & Organisation
  - Group Head | Compliance
  - Group Head | Procurement
  - Head | Audit
  - Head | Portfolio Management | RAG
  - Head | Portfolio Management | FAG
  - Group Head | Risk
  - Head | Trading & Origination
  - Head | Operations & Risk, Trading & Origination
- All employees in the function Head Investments (in all investment classes)
- All employees in the function Senior Investment Manager

- All employees in the function Head Assets (in all asset classes)
- All employees in the function "Sales"
- All employees with the grade "Managing Director"

3.9.2. Deferrals

Due to the special regulatory requirements, bonus and commission entitlements will arise over several years (hereafter "deferral") and under certain circumstances may be paid out in the form of financial instruments.

The deferral of bonuses and commissions is undertaken as follows for the various functions in the Aquila Group:

	Payment of maximum base amt.*	**Payment of imme-diate share***	**Payment of deferred share**			
	Year 0**	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Standard AIFM function	20,000 EUR	50%	0%	0%	25%	25%
Sales	10,000 EUR	50%	0%	0%	25%	25%
Investment Management	10,000 EUR	50%	0%	0%	25%	25%

In order not to subvert the goal set out by the compensation guidelines of having this based on risk, the identified employees are prohibited from entering into hedging strategies or insurance policies which serve the purpose of insuring against the risk of a reduction in their compensation.

*: Payment of a base amount applies only to employees whose bonus for the past fiscal year exceeds 10,000 or 20,000 Euros.

**: The Year 0 is defined as the first year of payment following the year being observed.

Calculation example:

An employee (risk taker) in the sales area is to receive a bonus in the total amount of 50,000 EUR for the year 2022 (period under consideration). In this case, the respective pro rata bonus entitlements arise over time under the above-mentioned conditions as follows:

	Year 2023	**Year 2024**	**Year 2025**	**Year 2026**	**Year 2027**
Sales	30.000 EUR	-	-	10.000 EUR	10.000 EUR
	Base amount + 50%	0%	0%	25%	25%

3.10. Malus regulation and repayment demand for identified employees (Risk Taker)

Prior to them becoming payable, entitlements to deferred bonuses and commissions must be acquired on a yearly basis in the course of year-end employee reviews.

The entitlements are additionally dependent upon the following factors, regardless of regular interval schedules:

→ Performance development of individual products and clients throughout the term

→ Reaching of previously determined target returns for investors

- → Liquidity and earnings situation of individual business areas
- → Existence of risk positions based on trade activity within the Aquila group

The relevant time period relates to a period of five years ("assessment period") after the previous, relevant financial year.

Negative results by an employee or a certain degree of failure to reach target in the calculation period will prevent the arising of entitlement to bonuses and commissions in their full amount or may lead to full loss of the entitlement. The entitlement of variable compensation will not arise in particular in the following cases:

- The employee has taken part in and/or is responsible for actions that have resulted in substantial losses for the company
- The employee has failed to meet external and/or internal regulations regarding his suitability and conduct.

Further, all bonuses and commission paid, to the extent allowed by law, will be subject to possible repayment ("claw-back" provision). This includes payments made on the basis of facts which subsequently are discovered to be incorrect.

3.11. Compliance

Any claim to payment under the above-described compensation system is conditional upon the employee's conduct being in conformance with compliance rules.

If an employee does not comply with law or regulatory or supervisory requirements or breaches internal requirements such as Group compliance principles oder rules, Group or company guidelines (for example, the Ethics or ESG Policy) or corporate values of the Aquila Group committed by the employee in his work will factor in to the annual calculation of bonuses and commissions. Any such conduct may lead to substantial reductions in or full loss of a variable compensation.

3.12. Good-Leaver and Bad-Leaver Provisions (Risk Taker)

If an employee identified as a Risk Taker departs the company at his own request during a calculation period or his employment is terminated by the company within this period on grounds of conduct, person or otherwise for good cause without notice, this prevents the arising of deferred entitlements of bonuses and commissions. For termination of a particular so-identified employee by the Aquila Group which is not based on fault, misconduct or the person of the employee, the entitlement to compensation under the conditions set out by 3.9 through 3.12 above will remain in place.

3.13. Free Discretion; Extinguished Claims

3.13.1. Free Discretion

Should an employee receive a variable compensation under this Remuneration Policy, this is considered a voluntary payment which remains at the free and sole discretion of the respective company of the Aquila Group and to which the employee does not acquire any further right to payment/repeated payment. The special payment serves to honor performance and as an incentive for future company loyalty in accordance with regulatory and supervisory requirements. The Aquila Group will make a new decision each year as to whether and in what amount it will pay a variable compensation. The payment of a variable compensation does not establish any right of employee to claim such payments in future, including in the event the variable compensation has been paid repeatedly.

3.13.2. Extinguished Claims

Any claims for unpaid fixed or variable compensation will expire if not asserted toward the debtor within three (3) months. This limitation period begins at the time the entitlement comes about and the employee becomes aware of the circumstances giving rise to the claim (or is unaware of them due to own gross negligence). Failure to observe this limitation period will lead to loss of the claim. If the debtor denies the claim or does not respond within one (1) month after the claim has been asserted in accordance with the above, the claim is then deemed to expire if it has not been brought before a court within three (3) months after the denial or the expiry of the response period.

The preclusion terms regulated in the preceding paragraph do not apply in the case of indispensable statutory claims (e.g. MiLoG), claims due to injury to life, body or health as well as in the case of intentional breaches of duty.

3.14. Clearing Proceeding

Disputes in connection with compensation claims will where possible be settled in a clearing proceeding. Further details regarding the clearing proceeding are set out in the Annex "Clearing Proceeding" (Annex 2).

3.15. Remuneration Policy

The Remuneration Policy shall apply until such time as it is replaced by a new, altered version. Amendments and supplements to or deletions from the Remuneration Policy require the consent of the Aquila Group Compensation Committee.

4. Appendix

Annex 1: Criteria for Variable Compensation

Annex 2: Clearing Procedure

Annex 1: Criteria for Variable Compensation

The criteria on which the variable compensation is calculated are broken down into various employee groups. Criteria differentiate between the following employee groups:

- AIFM functions/Other,
- Sales and
- Investment Management.

Depending on the employee group, there are differing contractual agreements governing the conditions for calculation of variable compensation. Any of the following agreements in the respective employee group may be the basis for calculation of variable compensation:

- AIFM functions/Other:
  - Yearly target agreement
- Sales:
  - Yearly target agreement and/or
  - Incentive Plan for RAG or FAG,
  - Framework Ticket Agreement
- Investment Management:
  - Yearly target agreement
  - P&L agreement.

Each calendar year, the Aquila Group will within the first quarter define a target agreement process for all Aquila Group employees, in which individual performance is assessed on the basis of an end-rating.

The following table shows the distribution of criteria for the variable compensation to:

Yearly target agreement	Incentive Plan (FAG/RAG) and/or Framework Ticket Agreement	P&L Agreement
Criteria of Aquila Group ➔ Yearly by ExCo	Criteria of Aquila Group ➔ Yearly by ExCo	Criteria of Aquila Group ➔ Yearly by ExCo
Department criteria ➔ determined by Group Head	Department criteria (FAG/RAG)	Department criteria/P&L results ➔ determined by Group Head
Individual criteria ➔ Content based on agreement	Individual criteria ➔ Content based on agreement	Individual criteria ➔ Content based on agreement

The exact contents for calculating variable compensation are taken from the individual agreements of the respective employee groups/employee.

The following (general) criteria are crucial in calculating variable compensation:

- success of the company,
- the risk situation,
- the individual's contribution to the company's success,
- the particular department's/area's performance, and
- requirements of regulatory provisions.

Annex 2: Clearing Proceeding

1. Disputes in connection with compensation claims will where possible be settled in a clearing proceeding.
2. In this respect the claimant may invoke a judge of a labor court as mediator.
3. The mediator chooses the form of the proceeding at his discretion.
4. The participants are aware that disclosure of facts in mediation may involve the other party gaining knowledge favorable to their case. The participants however wish open discussion, are aware of the risks and will consider, each at its own risk, what it chooses to disclose and what it prefers to disclose only to the mediator in confidence. The following confidentiality provision does not protect against this risk. It does however ensure that matters involved in the mediation, in particular admissions or confessions of fault, remain confidential.
5. The participants in a mediation agree to maintain confidentiality throughout the course of the mediation. This applies in particular to any recommendations, admissions of fault, offers of settlement or other declarations made by either party as well as the responses to these. Also, in any eventual court proceeding, these matters may not be submitted. The participants expressly waive the right to name the mediator or another participant in a prior mediation process as witness for evidence before a court (this includes the parties themselves). Submissions and offers of evidence made to a court in violation of this provision will be inadmissible.
6. The participants in a mediation may not name the mediator in any subsequent court proceeding as witness for facts which may have become known to the mediator during the clearing proceeding in its capacity as mediator. Submissions and offers of evidence made to a court in violation of this provision will be inadmissible.
7. The participants in a mediation are obligated to take part in oral hearings as ordered by the mediator and to make their best effort to reach an amicable solution with the aid of the mediator.
8. Court litigation should only be initiated if the mediation has been declared toward the other party as failed, by either party in writing or by the mediator. Final failure of mediation may not be declared before
   a) the claimant has made at least three proposals for dates for oral hearings without a first oral hearing having come about,
   b) at least one oral hearing has been held with personal attendance of the parties, or
   c) three months has passed since request for mediation was served on the respondent.
9. Limitation and expiry periods are deemed suspended once the request for mediation has been received. This contractual suspension of limitation will cease upon expiry of the last calendar day of the month in which the mediation has been properly declared to be failed. If the clearing proceeding comes to a standstill due to the fact that the participants no longer pursue it, then the contractually agreed suspension of limitation is deemed to cease six months after expiry of the calendar month in which the last action in the proceeding was taken by either the participants or the mediator. The legal provision on suspension of limitation periods remains unaffected thereby.
10. Filing of court action, in particular in order to suspend a limitation/expiry period, is allowable at all times. The participants however mutually agree to seek or move to have any such court action declared at rest/suspended until such time as the clearing proceeding is complete.
11. The costs of the clearing proceeding will be borne by the company which employed the employee involved during the period in dispute. If the employee during the period in dispute was employed by several companies or if several companies are involved, then the companies will bear the costs pro rata. Cost distribution between the companies will be determined by the mediator upon completion of the clearing proceeding. The company/companies will enter into a separate agreement with the mediator regarding mediator's (fee) costs, made on the basis of a framework agreement with Aquila Capital Holding. The mediator will be entitled to a compensation under this agreement. Each participant will bear own costs of legal counsel and other disbursements.