

Polus Capital Remuneration Policy

Board of Directors- April 2022

Date	Revision	Approved by:
July 2022	The Remuneration Policy has been updated to reflect changes in the Mediobanca Group policy applicable to Polus and changes required by the Investment Firm Prudential Regime	PCML and PCMGL Board

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Background

1.1 Polus Capital Management Limited and Polus Capital Management

The majority of employees are employed by Polus Capital Management Group Limited ("PCMGL") but provide services to Polus Capital Management Limited ("PCML") which is a wholly owned subsidiary of PCMGL. Certain employees based in the United States are employed by Polus Capital Management US Inc. ("PCMUS"), which is also a wholly owned subsidiary of PCMGL, and one employee is employed by the Gibraltar branch of PCML.

PCML is a London-based credit asset manager. The company's asset management capabilities are mainly focused on opportunistic credit, hybrid capital, loans and structured credit in cash and derivative forms.

PCML is regulated as an alternative investment fund manager (AIFM) and is required to apply the remuneration provisions under the FCA AIFM Remuneration Code set out in the FCA's Handbook (SYSC 19B) and in UK legislation 'The Alternative Investment Fund Managers Regulations 2013' (as amended).

PCML, Cairn Loan Investments LLP ("CLI") and Cairn Loan Investments II LLP ("CLI II") are FCA authorised and regulated MiFID investment firms. As such, they are subject to the UK prudential framework under the Investment Firm Prudential Regime ("IFPR") and the MiFID Remuneration Code, as detailed in SYSC 19G of the FCA's Handbook (the "MiFID Remuneration Code").

PCML, CLI and CLI II are non-small and non-interconnected MiFIDPRU Investment Firms ("non-SNI" or "Class 2 Firm") and are therefore not subject to the full extent of the MiFID Remuneration Code (see SYSC 19G.1.7G, which outlines provisions applicable to non-SNI's).

As used in this document, "Polus Capital" or "Polus" means PCMGL and its subsidiaries, "Parent Company" or "Mediobanca" means Mediobanca S.p.A. and "Mediobanca Group" means Mediobanca and its subsidiaries. This document

1.2. Mediobanca Group and Polus Capital Management Group Limited

PCMGL is part of Mediobanca Group, an Italian Banking Group regulated by the Bank of Italy and supervised by ECB.

Mediobanca Group is subject to the application of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU ("CRD Directive") and as implemented by the Italian regulator (Bank of Italy) with the Circular n. 285 as amended (24 November 2021).

Mediobanca may not apply CRD provisions to the staff of an asset management company belonging to the Mediobanca Group, identified as material risk takers for the Mediobanca Group, if these staff perform activities exclusively for the asset management company.

Mediobanca shall in any event ensure that the remuneration policies drawn up by an asset management company in compliance with the sector regulations applicable to it are consistent with the remuneration policy drawn up by the Parent Company and the guidelines provided by the Mediobanca Group with particular regard to the principle of gender neutrality, the link with the risks of the Mediobanca Group, the compatibility with the capital and liquidity levels of the Mediobanca Group and the medium-long term orientation of the Mediobanca Group.

2. Proportionality with respect to Remuneration Requirements

PCMGL complies with applicable remuneration principles in a way and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of its activities, and as required by mandatory laws.

2.1. Key elements considered for the proportionality assessment

- As of 31 December 2021, PCML manages \$4.13 bn (£3.16bn) in pooled funds and managed accounts of which \$3.84bn (£2.93bn) is in alternative investment funds (AIFs).

- Upon further considering its size, PCMGL has relatively few staff members (only [58] as at 31 December 2021).
- Its internal organization is straightforward, with a single main external shareholder (Mediobanca).
- The firm is not listed.
- In term of its activities, the firm adopts core investment strategies investing in a wide range of credit products, structured securities or commercial real estate related securities.
- The portfolios are characterized by investments requiring considerable diversification, and the firm strives to limit the volatility of these portfolios.

2.2. Outcomes of the proportionality assessment

PCMGL must meet both the AIFM Remuneration Code and the MiFID Remuneration Code. Under IFPR, pay-out rules do not apply as PCM is an IFPR Class 2 firm. Under the AIFM Remuneration Code, these rules have been disapplied due to PCM's assessment of proportionality.

It is appropriate to disapply the pay-out process rules under the AIFM Remuneration Code (i.e. use of instruments, deferral...), because PCM carries out non-complex activities, it is not listed and it does not have significant external ownership with respect to internal organization.

PCMGL is aligned with the more stringent provisions on Governance (the firm already has a Remuneration Committee).

The assessment of proportionality is reviewed and updated on a yearly basis.

3. Remuneration Governance

The governance process for the Polus Capital Management Limited Remuneration Policy (the "Remuneration Policy") is structured across two levels: corporate and organizational.

3.1. Corporate Governance

- **The Board of Directors** – The board of directors of PCMGL (the "Board") is responsible for the application of the Remuneration Policy, for the approval of the material risk takers mapping, for the management of the bonus plans (comprising the Polus Annual Bonus Plan (the "ABP") and the Polus Capital Carried Interest Plan (the "CIP" and, together with the ABP, the "Plans"), and determines the Chief Executive Officer's remuneration. The Board considers the recommendation of the Polus remuneration committee (the "Committee") and grants awards by resolution. Participants in the Plans ("Participants") who sit on the Board do not vote in relation to their own awards.
- **The Remuneration Committee** – The Committee comprises three non-executive directors and there are "standing invitations" to all of the Committee's meetings to (i) a representative of Mediobanca Group HR; and (ii) Polus's CEO or other member of Polus's Executive Management Committee (EMC), who would make recommendations to the Committee and otherwise act as a liaison between the Committee and the EMC. The Board may delegate any of its powers under the Plans to the Committee.

The responsibilities of the Committee include in particular:

- I overseeing the design, updating and implementation of the Remuneration Policy;
- II approving the material risk takers perimeter at least on a yearly basis;
- III preparing recommendations to the Board regarding the remuneration of members of the EMC and other senior management of the Polus Group in accordance with the Remuneration Policy;
- IV obtaining advice, where it considers it necessary, that is independent of advice provided to the EMC or Board, including from any external remuneration consultants; and

- V ensuring the remuneration system and policy properly takes into account all types of risks and liquidity and assets under management levels and that the policy is consistent with the business strategy, objectives, values and interests of the Polus Group, the funds it manages and their investors

3.2. Organisational governance

HR Function – Human Resources at local level and at Mediobanca Group level guides the process, involving the governing bodies, control units and other teams responsible for verifying the Polus Group's earnings and financial data.

Audit, Risk and Compliance Units –PCML's Finance, Risk and Compliance units provide the data for determining performance based on the results achieved and the Compliance unit carries out an annual assessment of the Remuneration Policy's compliance with the reference regulatory framework with a view to containing any legal or reputational risks.

It is also responsible for checking whether or not any compliance breaches have been committed with relevance for purposes of assessing the performance and award of the variable remuneration component. The Risk and Audit Committee is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time.

All activities are documented to ensure that they may be fully tracked.

3.3. Mediobanca Group

Mediobanca Group liaises constantly with its Group companies to ensure that the remuneration systems and processes implemented within its Banking Group are consistent and compliant. The policies should of course respect the specificity of the sector in which the Mediobanca Group company operates, the organizational structure and applicable regulations according to the business and geography of the Mediobanca Group company.

The Parent Company shall supervise and manage the process of defining Mediobanca Group Material Risk Takers and provide guidance and assistance in drafting remuneration policies.

Mediobanca Group approves the objectives for the CEO of PCMGL and ascertains whether they have been met. Furthermore, Mediobanca Group shall define the underlying principles of the incentive mechanism of PCMGL employees identified as Mediobanca Group Material Risk Takers, leaving the specific decisions to the Board.

4. General remuneration principles and elements of remuneration

4.1. Description

PCMGL has established a responsible remuneration policy aimed at rewarding individual and firm performance over time, while reflecting the values of the Polus Group and respecting the interests of all stakeholders, be they employees, customers or shareholders.

The Polus staff remuneration and incentive system, in accordance with the Mediobanca Group Policies and in compliance with the applicable regulatory provisions:

- sets out the principles and criteria for defining and implementing Polus' remuneration and incentive processes;
- describes the related mechanisms, the organizational and governance issues;
- identifies the objectives intended to be pursued.

The Remuneration Policy shall:

- be reviewed by the Committee and subsequently adopted by the Board on a regular basis, to review the material risk takers perimeter and the proportionality assessment and, when necessary, to comply or conform with applicable law and regulations in force from time to time. The Remuneration Policy in any case will be reviewed : i) every three years, ii) in case of modification of regulatory requirements/codes and/or regulatory requests/advice both at

Mediobanca Group level and/or Polus level, iii) in case of any substantial change regarding the proportionality assessment;

- strike an appropriate balance between fixed and variable remuneration for all employees;
- be consistent with the Mediobanca Group remuneration policy;
- be consistent with the FCA's AIFM Remuneration Code and MiFID Remuneration Code, as applicable, or other regulatory requirements/codes as may apply from time to time.

4.2. General principles

The general principles and criteria on which the Policy is based are as follows:

- maintain the objective of attracting and retaining highly qualified and professional staff commensurate with the complexity and specialization of Polus' business, based on a rationale of prudent management and sustainable costs and results over time;
- ensure consistency with the Mediobanca Group Policies, Polus' own objectives and values, as well as its long-term strategies and risk management policies;
- promote compliance with the applicable legal and regulatory framework;
- ensure that staff employed in the control units do not benefit from incentive mechanisms linked to earnings objectives;
- monitor the process so that improper practices which could induce staff to breach regulations or engage in undue risk-taking are discouraged;
- ensure that a variety of stakeholders are involved in the process of establishing the remuneration system.

4.3. Gender Pay Gap (CPG) and remuneration policy neutrality (equal pay)

The Remuneration Policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability. The Mediobanca Group and Polus are committed to offering remuneration in line with the market, which reflects each employee's role, capabilities, contribution to company performance objectively measured, and professional experience, thus guaranteeing that the principle of equal opportunities is applied in practice.

With reference to inclusion, the Mediobanca Group and Polus guarantee that all their collaborators are treated without distinction, exclusion, restriction or preference, whether direct or indirect, based on their: age, gender, sexual orientation, civil status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy, maternity or paternity (including as a result of adoption), personal convictions, political opinions, and/or trade union affiliation or activities.

The Mediobanca Group and Polus pursue the appropriate balance between genders at all levels, focusing in particular on senior and management positions where the gender gap is most felt.

In its regular review of the policies in force, the Board analyses the gender neutrality of the Remunerations Policy, examining the gender pay gap in particular and its development over time.

4.4. Pay mix

The structure of the staff remuneration is based on various components, with the objective of: balancing the fixed and variable components over time (pay mix), implementing a flexible approach to remuneration and gearing compensation towards performance in view of the significance of role within Polus without encouraging risky and/or short-term behaviour. Each year the staff compensation package's positioning is assessed compared to its reference market, including with the assistance of outside advisors.

Pay mix is structured as follows:

- **Fixed salary:** this reflects technical, professional and managerial capabilities and the related responsibilities;
- **Variable remuneration (discretionary annual bonus):** this functions as recognition and reward for targets set and results achieved. The variable component could be paid in cash and financial instruments, in part upfront and in part in subsequent years; variable remuneration payable to a person in respect of any financial year, when added to any other variable remuneration in

respect of such year, shall not exceed five (5) times that person's fixed remuneration (cap on variable remuneration);

- **Carried interest plan:** for a restricted number of staff, participation in the CIP could be applied in addition to the annual bonus; and
- **Benefits:** in line with the market, the compensation package is completed by a series of fringe benefits which are evidence of the ongoing attention paid by Polus to the personal needs and welfare of its own staff, even after retirement. The benefits chiefly consist of pension, insurance and healthcare schemes.

5. Identified Staff

5.1. Scope of the Polus Identified Staff under the AIFM remuneration Code and the MiFID Remuneration Code

Pursuant to the FCA's rules (SYSC 19B.1 and SYSC 19G.5), PCML shall maintain a list of all employees whose professional activities have a material impact on the risk profiles of PCML, the AIFs PCML manages or the MiFID investment services it provides ("Code Staff"). This list is updated at least on a yearly basis. These results have been approved by the Board and sent to the Parent Company which maps the identification process at consolidated and Mediobanca Group level.

The criteria adopted to identify the Code Staff, according to the applicable rules, are both qualitative and quantitative and the following employee categories shall be included:

- senior management;
- risk takers;
- control functions;
- specific roles outlined in SYSC 19G.5.3R;
- any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

5.2. Mediobanca Group Material Risk Takers

Mediobanca regularly carries out analysis of the Mediobanca Group's organizational structure via a documented process to identify staff with a substantial impact on the Mediobanca Group's risk profile, as provided in the CRD Directive and applicable Regulatory Technical Standards. The Material Risk Taker Identification Policy and the related internal procedure establish the process to be adopted in the Mediobanca Group that Polus is required to implement. Mediobanca may not apply CRD provisions to the staff of an asset management company belonging to the Mediobanca Group, identified as material risk takers for the Mediobanca Group, if these staff perform activities exclusively for the asset management company. The variable remuneration of Polus employees identified as "Mediobanca Group Material Risk Takers" to which the CRD provisions shall apply is subject to limitations imposed by mandatory provisions of the CRD Directive and the implementing national requirements applicable to Mediobanca, which have been specified in the Mediobanca Group Remuneration Policy.

6. Remuneration structure

6.1. Fixed Remuneration

Component	Purpose and link to strategy	Features
Base Salary (fixed pay)	To pay a fair salary, commensurate with the individual's role, responsibilities and experience and having regard to the market rates for similar roles in the asset	Reviewed annually, taking account of market salary levels, Polus performance, individual performance, changes in responsibility and levels of increase for the broader employee population.

management sector and other comparable companies. Reference is made to mid-market levels within relevant industry comparators.

The Committee considers the impact of any base salary increase on the total remuneration package.

Non-executive Board directors are paid with a fixed fee and there are no incentive mechanisms. For employees of the Mediobanca Group who may be included in the Board as representatives of the Mediobanca Group, the provisions of the Mediobanca Group Policy apply.

Benefits (fixed pay)	To provide cost-effective fringe benefits to support the wellbeing of employees.	Polus currently provides a range of fringe benefits such as: medical insurance, international travel insurance, critical illness and death-in-service cover and paid holiday. Specific benefits provision may be subject to minor change from time to time, within this policy.
Pension (fixed pay)	To provide market competitive defined contributions, to assist with recruitment and retention.	Employer contributions (at 9% of annual salary) and optional employee contributions are made to appropriate defined contribution pension arrangements.

6.2. Variable remuneration

Component	Purpose and link to strategy	Features
Annual Bonus Polus ABP (variable pay)	<p>Determination of the annual discretionary bonus plan and the correlation between risks and performance is achieved via a process which has the objective of rewarding staff based on Polus' performance, with the restriction of maintaining adequate capital stability, liquidity profile, profitability and Polus' future risks.</p> <p>The Board, having received the recommendation of the Committee, is responsible for the annual discretionary bonus plan.</p>	<p>Following the issue of PCML's unaudited accounts for a financial year, the Committee shall meet, consider and make a recommendation to the Board as to the amount of the aggregate pool that will be available for distribution to Participants in respect of that year (the "Discretionary Bonus Pool").</p> <p>Such recommendations shall also include individual allocations for executive directors and other employees. The Board shall then determine the Discretionary Bonus Pool and individual awards, having due regard to the recommendations of the Committee, and such determination shall be final and binding.</p> <p>The Discretionary Bonus Pool is linked to the applicable gateways and calculated on the basis of Profit Before Taxes, as defined in the ABP (see below).</p> <p>The portion of the Discretionary Bonus Pool to be earmarked for staff in the control units and staff in support areas is determined on the basis of qualitative considerations, in order to limit the degree of correlation with the Polus Group's results, thus safeguarding the independence of their role.</p> <p>The Board, having received a favourable opinion from the Committee, may in any case authorize payment of a variable component</p>

for retention purposes, even in the event of the performance conditions failing to be met. Population involved and its amount are based on the following criteria: each individual beneficiary's contribution to the overall results of Polus, importance of the profile for the sustainability of future results, analysis of market benchmarks and the competitive scenario, need to guarantee continuity of operations and consistency with succession planning.

Carried interest

Carried interest is a long term performance fee arrangement on a fund or incentive fee arrangement on a collateralised loan obligation (CLO) agreed with investors, which entitles the investment manager to a pre-determined share of the performance of the fund/CLO above a hurdle. Polus staff may be entitled to receive such an arrangement.

Polus has put in place a carried interest arrangement.

Carried interest provisions for each risk transfer transaction, the CLOs managed by Cairn Loan Investments LLP and Cairn Loan Investments II LLP and other private credit transactions have been or will be agreed with investors.

These follow a waterfall structure, with a range of hurdle rates, percentage profit shares and currencies.

The payments of carried interest (or equivalent amounts in the case of CLOs) are paid to Polus and contribute to the overall Discretionary Bonus Pool.

The CIP provides that up to 25% (or such greater amount as may be approved by the Board) of the carried interest (or equivalent amounts) received by Polus during the financial year will be paid to Participants in the CIP from the Discretionary Bonus Pool for that financial year, provided that this amount is not more than 50% of the Discretionary Bonus Pool for that year.

Any shortfall will be carried over as an obligation from the Discretionary Bonus Pool for the following year.

Payments to Participants are typically paid at the end of the first quarter following the end of the financial year, so there will be a delay between Polus receiving a payment of carried interest (or equivalent) and the related payment to the Participant under the CIP (of between one calendar quarter and just over one year). However, in respect of amounts received by Polus during a financial year relating to incentive fee arrangements on a CLO, payments to participants will typically be paid as soon as practicable after receipt by Polus.

The Participant will not receive underlying interests in the risk transfer or other transactions' or CLOs' carried interest arrangements but rather cash payments calculated by reference to the carried interest.

The expected payment profile includes any retention period foreseen by the regulations, exceeding the required three to five years deferral period and due to the fact that the entirety of the payments under the CIP are

subject to the performance of the risk transfer or other transactions and CLOs.

Malus and, in the case of a Mediobanca Group Material Risk Taker, clawback provisions will both apply to the CIP.

7. Incentivisation system

7.1. Polus Material Risk Takers

Employees of Polus that have specific roles, levels of responsibilities or remuneration are deemed to have the ability to impact the risk profile of Polus. These are known as Material Risk Takers or Code Staff and include senior management, risk takers, control functions etc (per SYSC 19.5.3R – 19.5.9R).

Code Staff are subject to the following provisions:

- Ex-post risk adjustment
- Limitations on non-standard forms of variable remuneration i.e.:
 - Guaranteed remuneration
 - Retention awards
 - Buy-out awards
 - Severance pay

The purpose of the additional remuneration provisions for Code Staff is to align the incentives of those that could have the greatest impact on Polus with Polus' long term business objectives and values.

Polus conducts an annual assessment on all employees to identify Code Staff and determine the appropriate elements of the remuneration to apply, in compliance with the applicable law and in line with Mediobanca Group guidelines.

Additionally, Polus assesses new employees, at the point of joining, to determine whether they will be classified as Code Staff.

7.2. Gateways and risk performance correlation- Mediobanca Group Material Risk Takers

Distribution of the Discretionary Bonus Pool for Mediobanca Group Material Risk Takers only takes place if the indicators or "gateways" defined in the Mediobanca Group Remuneration policy as amended are met:

- I Capital adequacy and liquidity requirements¹ indicated by the risk metrics adopted in the Risk Appetite Framework² approved by the Mediobanca Board of Directors, which are the primary indicators taken into consideration in the ICAAP:
- II Positive operating profit delivered at Mediobanca Group level³.

The Board of Directors of Mediobanca, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Group Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and

¹ CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio.

² RiskAppetiteFramework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing finetuning and update, in line with the continual changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.

³ Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.

the impact of the individual indicator on the Mediobanca Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Mediobanca Group's various divisions. The scope of the staff and the amount involved is based mainly on the following criteria: the contribution of the individual beneficiary to the overall results of the division and the Mediobanca Group, the importance of the profile to the sustainability of future results, benchmark analysis of the market and competitive scenario, the need to ensure business continuity and consistency with the succession planning policy.

7.3. Gateways and risk performance correlation- Other Polus Identified Staff

Distribution of the Discretionary Bonus Pool for Code Staff only takes place if adequate capital stability, liquidity profile and profitability are met. Polus gateways are as follows:

- Positive operating profit delivered at Polus Group level;
- Capital adequacy requirement at Polus Group level is met.

7.4. Calculations of Annual variable remuneration and bonus pool

Upon the closing of unaudited year-end financial results, the Discretionary Bonus Pool and hence variable remuneration payable to Mediobanca Group Material Risk Takers and/or Polus employees is calculated based on quantitative - with the main metrics of Profit Before Taxes assessing the contribution of the different business lines/division/products and aligned with the established budget - and qualitative objectives determined by the Board on the recommendation of the Committee.

7.5. Assessment of individual quantitative and qualitative performance in the award of the annual bonus

Annual bonuses are awarded to the individual beneficiaries by the Board, from the Discretionary Bonus Pool determined by the Board, through a shared annual performance assessment process which emphasizes professional merit and quality, with particular attention paid to reputational issues (the bonus either cannot be paid or is reduced for any staff member guilty of committing a compliance breach of either the internal or external regulations in the course of the year).

The Chief Executive Officer's annual variable component may only accrue if the "gateways" provided for in these policies, as well as in the policies of the Mediobanca Group in the case of inclusion in the perimeter of the Mediobanca Group's material risk takers, are complied with. It is commensurate with the achievement of quantitative/financial and qualitative/non-financial performance indicators contained in an individual scorecard approved at the beginning of the year by the Parent Company's General Management. The scorecard includes performance targets relating to the respective area of responsibility. By way of example, they may concern: profitability and revenues; indicators linked to assets and commissions; objectives possibly linked to the performance of investment lines; indicators linked to new business initiatives, other objectives consistent with the guidelines of the annual budget and both Polus and the Mediobanca Group's strategic plan.

Polus values its staff on a meritocratic basis, developing their professional capabilities in accordance with the principle of equal opportunities and in line with its own strategic choices and organizational and productive requirements. Career development is facilitated through the provision of adequate training, practical work experience under the leadership of line managers, in some cases mobility across different positions, assessment of performance and ultimately the career advancement and promotion process.

For staff belonging to the business units, the assessment reflects:

- Qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency and co-operation with other areas of Polus and the Mediobanca Group (as applicable), valuation criteria linked to reputational and compliance issues and adherence to Polus' values;
- Earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios and to value generation in accordance with risk-adjusted principles.

For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of areas. In particular, for staff employed in the accounting, administrative and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes and related electronic procedures being managed efficiently and accurately

and compliance with tax requirements. For staff employed in the internal control units (Compliance and Risk Management), continuous monitoring and control of Polus' processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units, business and non-business; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles. In practice, this means that remuneration of control functions is not directly determined by the performance of the business. This is to ensure there are no conflicts of interests and the objectivity of members of the control functions is not compromised.

In addition to this, the control functions will provide feedback to the Board on relevant breaches of Polus' internal policies, procedures and conduct. The Board will consider the feedback from the control functions in its annual review of determining an individual's variable remuneration.

7.6. ESG KPI

As part of the performance evaluation process in connection with the remuneration and incentivization policy, the Mediobanca Group and Polus devote special and increasing attention to the achievement of environmental, social and governance (ESG) objectives.

The performance evaluation mechanism for senior figures also may include - where and if appropriate - the presence of quantitative, measurable ESG indicators. Non-financial ESG objectives have also been set for these figures, with a focus on People Strategy issues (diversity, training, succession planning

7.7. Payment of variable component- Mediobanca Group Material Risk Takers

Any Participant of the ABP identified as a Mediobanca Group Material Risk Taker to which the CRD provisions shall apply by Polus and Mediobanca in accordance with the Mediobanca Group Remuneration Policy is, to the extent required by applicable remuneration legislation, subject to the Mediobanca Group Remuneration Policy's provisions and is subject to certain restrictions, including the following:

- the maximum entitlement under the ABP payable to the Participant in respect of any financial year ("Year") when added to any other variable remuneration payable in respect of such Year, shall not exceed five (5) times that Participant's fixed remuneration (cap on variable remuneration); and
- any variable remuneration may be subject to enhanced deferral arrangements, payment in instruments and clawback as defined in the Mediobanca Group Remuneration Policy from time to time in force.

The Mediobanca Group Remuneration Policy will be provided to any Participants who are subject to its provisions.

Deferral arrangements may be changed and updated in accordance with regulatory provisions applicable from time to time to the Mediobanca Group Remuneration Policy and/or decisions approved by the Mediobanca Group's shareholders.

7.8. Payments in funds for Mediobanca Group Material Risk Takers

Part of the variable remuneration of Mediobanca Group Material Risk Takers can also be partly paid with financial instruments to link the incentives to the creation of long-term value, making it possible to verify the continuity of positive results.

The instruments used in Polus are shares of or interests in Polus funds whose performance is correlated to the overall performance of assets under management of Polus and/or a synthetic performance index representative of the assets managed to which the value of the deferred and not yet paid variable remuneration is linked. Regulations of the ABP defining the methods of management of the ABP are approved by the Committee/Board.

7.9. Payments of variable component- Polus Group Material Risk Takers and other Polus employees

Taking account of the principles of proportionality applicable in the FCA AIFM Remuneration Code, Polus shall not apply the pay-out rules in the Code.

However, the ABP provides for deferral of a portion of any variable remuneration in excess of £100,000 paid under the ABP. 30% of any amount between £100,000 and £300,000 and 50% of any amount in

excess of £300,000 is deferred. Deferral is over a three year period with one third vesting each year. Deferred amounts are invested in Polus funds.

In the event that at any time the pay-out rules in the Code were determined to be applicable, deferral of at least 40% of variable remuneration would be required over a period of at least three to five years and at least 50% of variable remuneration would need to consist of units or shares in Polus funds or equivalent ownership interests (or in any case as may be required by the Code from time to time in force). The Remuneration Policy and the ABP with specific deferral schemes will be reviewed and updated accordingly.

7.10. Malus condition and clawback

To the extent required by applicable remuneration legislation, a malus principle applies to the Plans and, in the case of participants who are Mediobanca Group Material Risk Takers, a clawback principle also applies. This enables the Committee to seek to recoup awards in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.

The Board may review the level of Awards (including deferred Awards) in the light of the conduct, capability or performance of the Participant. The review may take place at any time determined by the Board and will be carried out in accordance with all applicable Polus policies and directives.

In carrying out its review, the Board may take account of:

I the general performance and conduct of each Participant in the execution of his or her duties and obligations to Polus as may be applicable, including (without limitation) his or her compliance with any restrictive covenant, lock-up or other similar agreement to which he or she is subject; and/or

II evidence of misbehaviour or serious error by the Participant including a breach of Polus' or the Mediobanca Group's code of conduct and other internal rules, especially those concerning risk (to the extent that such codes of conduct or internal rules are applicable, and have been made available, to such Participant).

In addition, any deferred component of compensation is paid only provided that the employee has not served notice of resignation and the employee has not been given notice of termination of employment (except if he/she is defined as a good leaver).

Following its review, the Board may make any determination in respect of an Award including any payment, which it considers appropriate including any reduction in value payable or other such adjustment provided such determination complies with applicable remuneration legislation.

7.11. Other information on variable remuneration

Guaranteed bonuses: these may be considered for particularly important profiles but only at the recruitment stage and for the first year of their employment by Polus.

Retention payment: retention payments are permitted only under exceptional circumstances including if the business unit is divested, wound down or undergoing a major reorganization and for retention of key identified staff on risk and/or value preservation grounds upon decision of the Committee and the Board.

Personal hedging or insurance strategies: staff are not allowed to use personal hedging or insurance strategies involving the variable component of their remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with Polus' risk. Remuneration cannot be paid in forms, instruments, or means that seek to avoid the applicable regulatory provisions.

Leaving conditions (in the event of employment being terminated or otherwise ended): under the ABP and the CIP, the treatment varies in relation to leavers but, broadly speaking, those participants categorised as "Bad Leavers" forfeit all their unvested Awards and those participants categorised as "Good Leavers" may retain rights to some or all of their unvested Awards. Broadly speaking "Good Leavers" are defined as those staff members whose employment arrangement ends by mutual consent (including in cases of retirement or early retirement), redundancy, death or permanent incapacity, duly certified, if it renders the staff member concerned unable to perform their duties. In all other cases where the employment arrangement is ended, including resignations or dismissal for cause (including for violation of business secrecy, provisions on forbidden financial operations, serious violation of applicable anti-bribery, anti-corruption and anti-money laundering rules or any rule contained in the applicable internal regulatory framework or of any rule pertaining to applicable legislation or rules of the supervisory authorities), the staff members concerned are considered "Bad Leavers". The Board may at its discretion

decide to treat them as “Good Leavers” in any case, in view of the specific features of the case concerned, to be evaluated on the basis of suitably justified and documented objective criteria.

Other provisions on early termination - severance

Polus ensures that severance payments made to employees:

- reflect sustainable performance achieved over time;
- ensure that they do not reward failure;
- are determined by taking into account the various factors normally stipulated in the applicable provisions of employment law and applicable regulatory provisions;
- are in line with the general principles of the Mediobanca Group Remuneration Policy regarding termination and severance payments, also regarding specific rules to be adopted with reference to Mediobanca Group Material Risk Takers.

8. Conflicts of Interest

Polus has adopted policies and procedures aimed at mitigating any potential conflicts that may arise between staff members and Polus, staff members, investors and between one fund and another/others.

Polus maintains a Conflict of Interests Register which includes potential conflicts relating to remuneration, as well as the procedures that have been implemented to mitigate these conflicts.

In circumstances where Polus is unable to mitigate a conflict, the conflict is disclosed to its clients and is included in the Conflicts of interests Register. Where appropriate, additional capital is assigned to ensure that if such a risk were to materialise, the business would be able to absorb any consequences.

9. Avoidance of the MIFIDPRU and AIFMD Remuneration Code

Polus' remuneration policies and procedures are designed to ensure full compliance with the AIFM Remuneration Code and the MiFIDPRU Remuneration Code. All remuneration payments are made through standard payroll systems and approved by the Board at least annually.