



Remuneration Policy

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1. Introduction

This remuneration policy is designed to align the remuneration packages offered by Cafico International and its subsidiaries (“**Cafico**”) to its employees with its long-term interests and risk strategy (the “**Policy**”). It ensures that remuneration practices promote sound and effective risk management and do not encourage excessive risk-taking.

Remuneration is the money and non-cash compensation an employee or executive of a company receives for doing their job. It includes salary or wages, commissions, incentives, bonuses, and the value of rental properties, meals, and other perks that are paid for by Cafico.

2. Governance

The Policy is overseen by the Board of Directors/Board of Managers of Cafico (the “**Board**”). The Board is responsible for reviewing and approving remuneration practices to ensure they are consistent with Cafico’s objectives and regulatory requirements.

3. Purpose

This Policy is designed to outline the procedure according to which Cafico ensures that employees receive fair, consistent, competitive, and equitable rewards while ensuring compliance with all relevant employment legislation and regulation, including the design of remuneration packages aimed at ensuring that reward and incentives encourage all employees to act in the best interests of clients and promote effective risk management.

4. Standards

The following overarching standards underpin this Policy:

- Alignment with the mission, values, and strategy of Cafico;
- Long-term focus;
- Ensuring that remuneration is competitive with market rates;
- Ensuring that the fixed component of remuneration represents a sufficiently high proportion of total remuneration for all employees, while maintaining the capability to operate a fully flexible and discretionary bonus/share option award policy, including the possibility to pay no variable remuneration component;
- Consistency with effective risk management and not rewarding excessive risk exposure;
- Performance metrics include quantitative and qualitative criteria such as client satisfaction, compliance, number of complaints, and contribution to team effort;
- Deferred reward where appropriate;
- Clawback where appropriate;
- Ensuring fair treatment of clients; and
- No prior entitlement to bonus/share option award or guaranteed variable remuneration; awards are entirely discretionary.

5. Categories of Employees

All employees have been assessed to determine which categories of staff or individual staff member(s), if any, could potentially have a material impact on the risk profile of Cafico. Should any member of staff be identified as having a material impact on the risk profile of Cafico, they will be recorded as such.

The following general principles apply to all employees:

- Staff engaged in control functions are independent in terms of such activity, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their control functions, independent of the performance of business areas.
- Where a component of an employee's remuneration is performance-related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned, and the overall results of the company.
- When assessing individual performance, financial and non-financial criteria are taken into account.
- Non-commission based guaranteed variable remuneration is exceptional and occurs only in the context of hiring new staff.
- Fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration package, noting the possibility to pay no variable component.
- This Policy is consistent with and promotes sound and effective management and does not encourage risk-taking which is not consistent with our business risk appetite.

Cafico seeks to remunerate employees in a manner that supports Cafico's mission, values, and business objectives and the long-term interests of the organisation, while ensuring that such remuneration promotes sound and effective risk management in the conduct of our business.

6. Structure of Remuneration

- Fixed Remuneration: This component is based on the role, responsibilities, and experience of the employee. It provides a stable income irrespective of performance.
- Variable Remuneration: This component is linked to performance criteria that reflect the institution's long-term goals. It includes bonuses, commissions, incentives, and other performance-related pay.

7. Performance Criteria

Variable remuneration is awarded based on:

- Achievement of individual and team objectives.
- Contribution to the institution's long-term success.
- Risk-adjusted performance measures.

8. Risk Alignment

To ensure risk alignment:

- Where appropriate for those having a material impact on the risk profile of Cafico, a portion of variable remuneration is deferred and linked to future performance.
- Those individuals who are considered to have a material impact on the risk profile of Cafico are those people who
 - are appointed as director or manager on a board of any Cafico company;
 - are employed in a senior management position by any Cafico company;
 - Are a conducting officer; and
 - are involved in business development and sales activities.

(The “**Material to Risk Profile Individuals**”)

- Remuneration practices are designed to avoid excessive risk-taking and promote sustainable growth.
- The policies adopted for the operation of Deferred Bonuses, Early Termination Payments and the Multi-Year Framework as described herein are applicable to the Material to Risk Profile Individuals.
- The performance measurement elements of this Policy will be applied appropriately and where relevant to those Material to Risk Profile Individuals and also where relevant to all other employees of Cafico.

9. Deferred Bonuses

- When a significant bonus is awarded, being an amount that is equal to or greater than 50% of annual salary, two-thirds of the bonus shall be deferred for a minimum period of 6 months. This period allows for the assessment of long-term performance and the management of associated risks.
- The deferred element of the bonus may consist of equity, cash, or other funds, with payment postponed for the duration of the deferment period. The specific form of deferred payment shall be determined based on the nature of the risks and the organisation's strategic objectives.
- The deferred portion of the bonus shall take into account the outstanding risks associated with the performance to which the bonus relates. This ensures that the deferred bonus reflects potential future risks and promotes responsible risk management. Those risks that Cafico shall take into consideration shall include:
 - Financial Risk: The risk that the organisation may face financial difficulties or bankruptcy, which could affect its ability to pay the deferred bonuses.
 - Performance Risk: The risk that the performance metrics used to determine the bonus may not accurately reflect long-term success, leading to potential adjustments in the deferred bonus amount.

- **Market Risk:** The risk that changes in market conditions could impact the value of deferred bonuses, especially if they are paid in equity.
- **Operational Risk:** The risk associated with the day-to-day operations of the organisation, which could affect the overall performance and the ability to meet deferred bonus obligations.
- **Regulatory Risk:** The risk of changes in laws or regulations that could impact the structure or payment of deferred bonuses.
- **Liquidity Risk:** The risk that the organisation may not have sufficient liquid assets to pay the deferred bonuses when they become due.
- **Reputational Risk:** The risk that issues related to deferred bonuses could negatively impact Cafico's reputation, affecting employee morale and stakeholder trust.

10. Early Termination Payments

- Payments related to the early termination of a contract shall be based on the employee's performance achieved over time. This ensures that the payments reflect the employee's actual contributions and achievements during their tenure.
- Specific performance metrics shall be used to determine the amount of the early termination payment. These metrics may include individual key performance indicators (KPIs), the performance of the business unit, and the overall results of the company.
- Early termination payments shall be adjusted based on the duration of employment and the level of performance achieved. This ensures fairness and alignment with the employee's actual performance.
- The structure of early termination payments shall be designed to prevent rewarding poor performance or failure to meet expectations. Payments shall be contingent upon meeting predefined performance criteria.
- The clawback provisions of this Policy may be applied to allow the company to reclaim payments if it is later determined that the performance was not as initially assessed. This promotes accountability and ensures that payments are based on genuine performance.

11. Multi-Year Framework

- The assessment of performance-related remuneration shall be based on a multi-year framework to ensure that the evaluation process considers longer-term performance. This approach promotes sustainable performance and aligns with the company's strategic objectives.
- The performance period for assessing remuneration shall span multiple years, typically three to five years, to capture the full impact of the employee's contributions over time.
- The assessment process is designed to align with the company's business cycle, ensuring that performance-related payments reflect the company's long-term success and stability.
- The actual payment of performance-related components of remuneration shall be spread over the business cycle of the company.

12. Annual Bonuses

- Employees, may receive annual bonuses based on their performance over a calendar year. These bonuses are designed to reward immediate achievements and motivate employees to meet short-term goals. Specific performance metrics shall be used to determine the amount of the annual bonus. These metrics will include individual KPIs, which have been developed to support and align with the company's multi-year business cycle.

13. Performance Measurement

- The measurement of performance as a basis for bonus or bonus pools shall include adjustments for current and future risks related to the underlying performance. This ensures that bonuses reflect both short-term achievements and potential long-term challenges.
- The measurement of performance shall take into account the cost of capital employed. This includes the cost of equity, debt, and other financial resources used by Cafico.
- Performance metrics shall include measures of capital efficiency, such as return on capital employed (ROCE) and economic value added (EVA).
- The measurement of performance shall consider the liquidity required to sustain operations and meet financial obligations. This ensures that bonuses are aligned with Cafico's financial stability.
- Performance metrics shall include measures of liquidity, such as current ratio and quick ratio.

14. Fair Treatment of Clients

Cafico should ensure that remuneration and reward encourages employees to act in the best interests of clients and that individuals engage in good sales/and or client management related behaviours which include:

- Appropriate product design and delivery.
- Prevention of over indebtedness or unsustainable financial burden.
- Transparency and clear communication on terms and conditions.
- Clear disclosure and comprehensive information about fees.
- Responsible pricing.

15. Application of Malus and Clawback

Malus or clawback arrangements are explicit risk adjustment mechanisms which Cafico may use to adjust remuneration of staff members (e.g., by lowering awarded cash remuneration). Risk adjustments should always be performance or risk-related. They respond to the actual risk outcomes or changes to persisting risks to Cafico, business lines, fair treatment of clients or staff activities.

Where notified to employees in advance, up to 100% variable pay may be subject to malus or clawback arrangements, particularly where the employee:

- Participated in or was responsible for conduct resulting in significant losses.

- Failed to meet appropriate standards of fitness and propriety.

In addition to the conditions above, Cafico will also conduct an assessment based on the following specific criteria including:

- Evidence of misconduct or serious error by the staff member (e.g., breach of code of conduct).
- Whether Cafico subsequently suffers a significant downturn in its financial performance.
- Whether Cafico suffers a significant failure of risk management.
- Significant increases in Cafico's economic or regulatory capital base.
- Any regulatory sanctions where the conduct of the staff member contributed to the sanction.

Under no circumstances will an explicit risk adjustment lead to an increase in variable remuneration. Where an individual has engaged in poor sales and/or client management related behaviours, the use of a 'claw back' mechanism may be applied. This would mean (a) reducing the current year's potential variable award, and/or (b) reducing deferred but yet unpaid variable awards, and/or (c) future potential awards.

16. Circumvention

Cafico should ensure that variable remuneration is not paid through vehicles or methods which aim or effectively lead to non-compliance with remuneration requirements for staff. This includes arrangements between Cafico and third parties in which the staff member has a financial or personal interest.

17. Review and Monitoring

The Board will regularly review the policy to ensure it remains aligned with regulatory requirements and the institution's objectives. Adjustments will be made as necessary to reflect changes in the regulatory environment or the institution's strategy

18. Disclosure

Without prejudice to confidentiality and data protection provisions, relevant information on the remuneration policy referred to in this Policy and any updates in case of policy changes shall be disclosed by Cafico in a clear and easily understandable way to relevant stakeholders. Such disclosure may take the form of an independent remuneration policy statement, a periodic disclosure in annual financial statements or any other form.

The following information shall be disclosed:

- a) information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the name of the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;
- b) information on the link between pay and performance;
- c) information on the criteria used for performance measurement and risk adjustment;

- d) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
- e) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

The level of the information disclosed in this Policy takes into account the nature, the size as well as the specific scope of activities of the company.

The disclosure of the Policy is made through its publication on the Cafico International website.