

## REMUNERATION POLICY

### 1. GENERAL PROVISIONS

- 1.1. This Remuneration Policy of Usaldusfond BaltCap Infrastructure Fund, which is established as an alternative investment fund in the form of a limited partnership pursuant to the Estonian Investment Funds Act (“**Fund**”) is drafted, approved and announced following requirements of Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, according to which each financial market participant (including the Fund) shall include in its remuneration policies information on how these remuneration policies are consistent with the integration of sustainability risks and shall publish that information on their websites.
- 1.2. This Remuneration Policy of the Fund (“**Policy**”) does not comprise a remuneration policy for the purposes of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities and Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, i.e. strict variable remuneration portions, deferral period and other mandatory provisions arising from the laws mentioned above will not be applicable to the remuneration, granted in accordance with this Policy.
- 1.3. The Policy and all its subsequent amendments shall be published on the website <https://www.baltcap.com/our-strategy/infrastructure/>

### 2. SCOPE AND PURPOSE

- 2.1. This Policy shall be applied to the remuneration of any amount paid directly by the Fund itself and/or by its general partner made to the benefits of those categories of Fund’s and/or the general partner’s staff, including senior management, risk takers, control functions, and any employee or relevant service provider receiving total remuneration that takes them into the same position as senior management and risk takers, whose professional activities have a material impact on the risk profile of Fund (“**Staff Members**”).
- 2.2. Policy and the subsequent measures (if any) provide principles which aim to ensure that:
  - 2.2.1. remuneration practises to Staff Members are consistent with and promote sound and effective risk management of the Fund and do not encourage risk-taking (including sustainability risks), which is inconsistent with the risk profile, rules, or instruments of incorporation of the Fund;
  - 2.2.2. appropriate measures linked to sustainability risks is taken into account when granting variable remuneration to the Staff Members (if any);
  - 2.2.3. remuneration is in line with business strategy, objectives, values, and interests of the Fund and the investors thereof, and includes measures to avoid conflicts of interest;
  - 2.2.4. Staff Members are appropriately compensated for the services rendered to the Fund and/or the general partner thereof (if relevant in respect of the relevant Staff Member);
  - 2.2.5. Staff Members are motivated to perform on the best interests of the Fund.

### 3. GENERAL PRINCIPLES OF REMUNERATION

#### *Long-Term Sustainability*

- 3.1. Staff Members’ remuneration shall be compatible with the Fund’s long-term business strategy, its values, goals, and interests.
- 3.2. To achieve this, performance results shall be evaluated against Fund’s long-term goals and considering all present and future risks. These goals shall be specific, measurable, and aligned with long-term Fund investors’ interests.

### *Competitiveness and Fairness*

- 3.3. Staff Members' remuneration shall be consistent with the authority, tasks, expertise, and responsibilities of each relevant person, applying the required balance between market competitiveness and internal equity.

### *Adequate Ratio between Fixed and Variable Pay*

- 3.4. The ratio of variable (if any) to fixed pay shall not be disproportionate, to avoid inducing an excessive risk assumption. Fund may set a maximum ratio for all variable pay accrued by an individual in any given year and set up the necessary controls to ensure this maximum is observed. It should be possible for variable pay to be reduced to zero, where appropriate.

### *Integrated Sustainability*

- 3.5. Commitment to environment, social and governance ("**ESG**") factors shall be reflected in variable remuneration (if any) outcomes so that a modest part of the Staff Members compensation shall be linked to the ESG performance.

## **4. REMUNERATION STRUCTURE**

- 4.1. Staff Members remuneration package may consist of the following key elements:

- 4.1.1. **Fixed pay.** The purpose of the fixed pay is to attract and retain Staff Members by paying market competitive pay for the role, skills and experience required for the business. This includes salary and allowances in accordance with local market practices. These payments shall be fixed and shall not vary depending on performance.

- 4.1.2. Fixed pay shall be determined, calculated, and paid in line with internal Fund policies and procedures based on the level of complexity and accountability of the concerned Staff Member's role as described in the corresponding role profile.

- 4.1.3. **Variable pay.** Annual, semi-annual, or more frequent awards may be made to drive Staff Members performance-based culture. These shall be based on financial and non-financial measures (including sustainability measures) consistent with the medium to long term strategy of the Fund, investors' interests, and adherence to the Fund values. A portion of the variable award may be deferred.

## **5. REMUNERATION OF CONTROL FUNCTION**

- 5.1. Performance measures for the Staff Members responsible for control function of the Fund and/or the general partner thereof shall be based on the achievements and objectives of the control function, and their remuneration will be determined independently from the performance of the specific business areas they control, therefore helping to prevent any potential conflicts of interest.

- 5.2. Notwithstanding the above, their variable remuneration (if any) shall remain dependent upon the overall results of the Fund.

## **6. PAYMENT OF CARRIED INTEREST**

- 6.1. Fund's general partner may receive carried interest payments from the Fund.

- 6.2. Carried interest is hence aligned with the life cycle of the Fund, does not encourage undue risk and does not raise conflict of interest issues which is why carried interest is not subject to risk alignment of variable remuneration rules.

## **7. INTEGRATION OF SUSTAINABILITY RISK**

- 7.1. Staff Members variable pay pots are defined for functions and business lines according to the achievements of targets set at beginning of the year.

- 7.2. The achievement of such Staff Members performance considers individual behaviour which has an impact on the variable pay awarded by limiting the risk of inappropriate behaviour to drive financial performance.
- 7.3. The main quantitative and qualitative performance and risk metrics used for assessment of Staff Members performance shall include:
- 7.3.1. Fund financial performance, including regulatory and contractual requirements;
- 7.3.2. current and future risks of the Fund, taking into consideration performance against the risk appetite annual operating plan and its outcomes; and
- 7.3.3. assessment of individual performance with reference to a balanced scorecard of clear and relevant objectives. Objectives included in the performance scorecards of Staff Members shall consider appropriate measures linked to sustainability risks. Therefore, the Staff Members' variable remuneration is linked to the performance of the Fund and its sustainable investments. Since the Fund has sustainable investment as its main investment objective, such variable remuneration criteria is also consistent with the integration of sustainability risks such as (non-exhaustive list):
- a. reduction in energy, water, climate resilience, and greenhouse gas emission;
  - b. reduction in carbon footprint;
  - c. avoidance of any significant residual negative impacts on environment and/or social matters;
  - d. reduction of any significant adverse impact on environment and/or social matters (if it is not reasonably possible to avoid such investments);
  - e. enhancement of materials and waste management goals;
  - f. facilitating financing to help the Fund and the Fund's portfolio companies with their transition to net zero.
- 7.4. Staff Members may receive a behaviour rating as well as a performance rating, which ensures performance is assessed not only on what is achieved but also on how it is achieved.

## **8. OVERSIGHT AND REVIEW**

- 8.1. The Fund's general partner is responsible for the control and compliance with this Policy, as well as annual Policy review to ensure it continues to operate as intended and continues to comply with applicable national and international regulations, principles, and standards.
- 8.2. The Policy shall be approved and amended by the decision of the general partner of the Fund, in accordance with the Fund's incorporation documents.