

REMUNERATION POLICY

SUMMARY FOR FMO-IM WEBSITE (APRIL 2024)



1. INTRODUCTION

FMO Investment Management B.V. (“FMO-IM”) is a 100% subsidiary of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (“FMO”). Its purpose is to build and grow investment management services for professional investors. This is part of FMO’s strategic ambition to mobilize commercial investors to emerging markets, thereby increasing its overall impact.

FMO-IM aims to scale up impact investing by providing investors access to FMO deal flow in emerging market investments. In doing so, we support FMO’s mission to empower entrepreneurs to build a better world.

FMO-IM has its own management board (the “Management Board”). As sole shareholder of FMO-IM, FMO determines the charter and scope within which the company operates, and FMO has approval rights for certain specific matters as set out in the articles of association of FMO-IM, such as in respect of the remuneration policy of FMO-IM.

The remuneration policy of FMO-IM (“Remuneration Policy”) should be read in conjunction with the HR policies of FMO. In case the Remuneration policy of FMO-IM differs from FMO, the FMO-IM policy prevails.

2. GENERAL PROVISIONS

2.1 Scope

The Remuneration Policy is applicable to FMO-IM and any person seconded to FMO-IM or working under the responsibility of FMO-IM, including members of the Management Board, unless explicitly stated otherwise, independent on the legal basis under which the specific person is engaged (such as insourcing, employment, management contract etc) or the absence thereof. These persons are herein referred to as “Staff Members”.

2.2 Purpose

The Remuneration Policy aims to align as much as reasonably possible the objectives and interests of investors, FMO-IM and any person working under the responsibility of FMO-IM. The Remuneration Policy should specifically procure an unfair treatment of investors. The Remuneration Policy must be consistent with sound and effective risk management and may not encourage risk-taking beyond the level of the risk appetite of FMO-IM and the investors. The Remuneration Policy is gender neutral, therefore there should be no (statistically significant) difference between the remuneration of employees of different gender performing equal work or work with equal value.

2.3 Legal framework

FMO-IM has a license pursuant to art. 2:96 Wft from the Netherlands Authority for the Financial Markets (“AFM”) to act as an investment firm and is authorised to provide investment advice.

Pursuant to art. 1:117(1) of the Act on the Financial Supervision (*Wet op het financieel toezicht*, “Wft”). FMO-IM is legally obliged to have a remuneration policy. The Remuneration Policy complies with the

provisions set out in art. 1:111 Wft up to and including art. 1:129 Wft, art. 27 and 34 of the MiFID II (Directive 2017/565) and the ESMA Guidelines on certain aspects of the MiFID II remuneration requirements.

For the purpose of the Investment Firm Directive (Directive 2019/2034) and the Investment Firm Regulation (Regulation 2019/2033) FMO-IM is currently categorised as a class 3 investment firm. As a class 3 investment firm, FMO-IM is excluded from the remuneration rules of the IFD.

2.4 Governance

The Managing Director is responsible for the preparation, implementation and evaluation of the Remuneration Policy. The Remuneration Policy comes into effect after approval by the Management Board and final approval of the general meeting of shareholders, being FMO. Changes must also be approved by the general meeting of shareholders.

The Management Board will review the Remuneration Policy on an annual basis as a minimum and upon any relevant and significant amendment to its business activities or structure. In such review the Remuneration Policy will be assessed whether it operates as intended, is still in compliance with applicable laws, regulations and guidelines and is in line with the standards in the financial sector. The compliance function of FMO-IM shall be given the opportunity to advice on significant amendments of this policy.

3. SALARY SYSTEM AND REMUNERATION PACKAGE FMO-IM

3.1 General

The most important starting point in FMO-IM's remuneration policy is FMO's remuneration practice and ensuring that FMO-IM offers "competitive" remuneration packages with due observance of the applicable (legal) frameworks.

The remuneration packages for Staff Members consists of fixed remuneration and variable remuneration (discretionary bonus). All remuneration is paid in cash, not in shares or equity equivalent instruments.

The members of the Management Board are designated as 'Identified Staff' and therefore not eligible for any variable remuneration (e.g. a discretionary bonus).

The Management Board is responsible for determining (adjustments to) the remuneration of Staff Members that are not part of the Management Board. The general meeting of shareholders, FMO, shall decide on the remuneration of the members of the Management Board.

3.2 Fixed remuneration

Each job title has been evaluated as referred to in the Personnel Guide of FMO and allocated to a certain (range of) salary scale(s). Each salary scale has a minimum and maximum fixed salary position and consists of a predetermined number of scale increments (steps).

Staff Members will grow in the salary scale, based on their performance as determined annually in the appraisal round. Performance evaluation is based on annually agreed goals at the beginning of each calendar year, which may include both financial and non-financial targets with respect to sustainability and/or impact aspects, as well as behavioural aspects. FMO-IM has opted for a direct relationship between the appraisal result and the extent to which the Staff Member's fixed salary is increased.

3.4 Variable remuneration

In addition to the fixed remuneration, a modest variable remuneration may be paid as a discretionary individual bonus, or a bonus which is granted as a personal development activities (PDP) award to an individual Staff Member. FMO-IM staff members who are not designated as 'Identified Staff'¹ may receive annual variable compensation.

The Management Board decides on an annual basis whether to award variable remunerations each year to Staff Members. The amount of an individual bonus granted to a Staff Member:

- may not exceed the value of the gross monthly salary of the relevant Staff Member; and
- is capped at €10,000; and
- may not exceed 20% of the fixed remuneration of the relevant Staff Member.

The total amount available for variable remuneration to be awarded depends on the achievement of the annual group-wide targets set by the supervisory board of FMO which include sustainability targets. These targets are based on both financial and non-financial measurable performance goals. The portion of the total bonus pool available for FMO-IM, will be allocated by the Management Board of FMO as annual discretionary bonuses to Staff Members based on the criteria mentioned above in this section and below in section 4.1.

4. CRITERIA VARIABLE REMUNERATION

4.1 Performance criteria

In order to ensure that the remuneration of the Staff Members working under the responsibility of FMO-IM will not create inappropriate incentives to act against the best interest of the clients of FMO-IM or FMO-IM itself, it will be determined whether and, if so, which Staff Members of FMO-IM are eligible to receive a variable remuneration in relation to various performance indicators, including:

- the individual performance of the respective team members (as stated in annually agreed goals of the individual team members),
- the performance and profitability of FMO-IM as a whole.

When awarding a variable remuneration to a Staff Member FMO-IM takes into account at least 50% non-financial performance indicators. The non-financial performance indicators for each Staff Member shall at least include:

¹ Identified Staff is defined as: 'any Staff Member whose professional activities have a material impact on the risk profile of FMO-IM, including the members of the Management Board, control functions and any Staff Member whose total remuneration falls into the same category as the Management Board'. Given the size of FMO-IM all Management Board members are considered as 'Identified staff'.

- non-financial targets achieved (e.g., with respect to projects, personal development)
- development impact achieved
- extra effort and perseverance
- innovation achieved and creativity shown
- teamwork and collaboration achieved
- (strategic) project concluded in scope (time, budget, quality)

All performance indicators are predetermined and known to the persons they apply to.

In addition, different performance criteria will be applied to Staff Members in control positions of the FMO-IM organization. Whether these Staff Members are eligible for a variable remuneration with a maximum of one months' salary and a maximum of €10.000 will be determined on the basis of their personal performance, the performance of the control team as a whole and their risk awareness. To prevent inappropriate incentives to act against the best interest of the clients of FMO-IM, and to avoid conflicts of interest, the financial performance of FMO-IM will at no time be taken into account for granting these Staff Members in control functions an individual bonus.

In the annual assessment or evaluation of the Staff Member, it is checked whether the performance and criteria for the variable remuneration have been met and whether the variable remuneration is awarded and paid.

4.2 No guaranteed variable remuneration:

FMO-IM will not guarantee any variable remuneration to any Staff Member working under its responsibility. The Management Board will not present the possibility to receive variable remuneration as guaranteed, and it will at all times be made clear that granting variable remuneration is at the full discretion of the Management Board.

Notwithstanding the foregoing, guaranteed variable remuneration may be considered in the context of hiring new staff members. However, in that context, such guaranteed variable remuneration may only be applied under the following conditions:

- it is awarded in the first year of employment only;
- both FMO-IM and FMO meet any regulatory capital requirements, solvability requirements and own funds requirements applicable to it; and
- prior approval by the management board of FMO, as supervisor of FMO-IM.

4.3 Retention bonus

Variable remuneration in the form of a retention bonus is hardly applied and will only be considered and/or applied if the following conditions are met:

- a. The variable remuneration is considered necessary in connection with a lasting organizational change of FMO-IM (business continuity/ change capacity).
- b. The variable remuneration is solely aimed at keeping the specific key person. This means that the only condition to the retention bonus may be that the key person is still in function on the last day of the specified retention period, and that no performance criteria may be attached to the retention bonus.

- c. The variable remuneration does not result in the sum of variable remuneration exceeding the percentages referred to in Section 94(1)(g)(i), first sentence and (ii) of the Capital Requirements Directive. This means that the total bonus amount in a year may not exceed 100% of the fixed remuneration.
- d. Prior approval by the management board of FMO, as supervisor of FMO-IM is required. In addition, AFM, as supervisory authority must grant prior approval to the allocation of the variable remuneration in writing. The decision term for the AFM is 6 weeks.

4.4 Severance payments

Payments related to the early termination of a contract with a Staff Member reflect performance achieved over time and may not reward failure. This does not preclude severance payments in situations such as early termination of the contract due to changes in FMO-IM's strategy, or in merger and/or acquisition situations.

FMO-IM will not pay any performance-based variable remuneration (bonuses) in connection with the departure of a Staff Member. FMO-IM will in any event not make any severance payment in the case of:

- premature termination of the (employment) relationship at the initiative of the Staff Member, unless such departure is the result of serious misconduct or negligence on the part of FMO-IM;
- serious misconduct or negligence of the Staff Member in the performance of his/her duties.
- failure of FMO-IM, when it concerns compensation to a member of the Management Board responsible for the day-to-day policy of FMO-IM.

The severance payment of a Management Board member will not exceed 100% of the applicable annual Fixed Remuneration.

4.5 Claw back and malus

In case of 'bad leaver' situations, in case of unlawful conduct or misconduct, or in case of conduct or an action of a relevant Staff Member that has resulted in a significant deterioration of the financial position of FMO-IM a claw back or malus mechanism may be applied, whereby any variable remuneration that is subsequently found to be unjustified may be reduced or clawed back.

5. PUBLICATION REQUIREMENTS

Apart from making this summary available on its website, FMO-IM includes the legally required information on variable remuneration (see Article 1:120 (2) Wft) in its annual accounts, except when the inclusion of such information entails a disclosure of the variable remuneration of an individual Staff Member.

At the request of DNB or the AFM, FMO-IM will provide details of individual remuneration to the regulator concerned.

The Remuneration Policy is accessible to all Staff Members via an internal website.