



MEDIOBANCA



CAIRN CAPITAL REMUNERATION POLICY

October 17th 2019



1 Introduction

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

The Remuneration Policy shall be:

- i. reviewed by the Cairn remuneration committee (the "Committee") and subsequently adopted by the Cairn board of directors (the "Board") on an annual basis and when necessary to comply or conform with applicable law and regulations in force from time to time;
- ii. consistent with the Mediobanca Group remuneration policy;
- iii. consistent with the FCA's AIFM Remuneration Code if applicable or other regulatory requirements/codes as may apply from time to time.

2 Governance

The governance process for the Cairn remuneration policy is structured across two levels: corporate and organizational.

a) Corporate governance

- ◆ The Board is responsible for the application of the remuneration policy, for the management of the bonus plans (comprising the Cairn Annual Bonus Plan (the "**ABP**") and the Cairn Management Incentive Plan (the "**MIP**"), and determines the Chief Executive Officer's remuneration. The Board considers the recommendation of the Cairn remuneration committee (the "**Committee**") and grants awards by resolution. Participants who shall sit on the Board do not vote in relation to their own awards.
- ◆ 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) Cairn's CEO or other member of Cairn'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:
 - ◆ overseeing the design, updating and implementation of the Cairn Group remuneration policy;
 - ◆ preparing recommendations to the Board regarding the remuneration of members of the EMC and other highly paid employees of Cairn in accordance with the policy;
 - ◆ 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



- ◆ 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 Cairn, the funds it manages, and their investors.

b) Organizational governance

- ◆ Human Resources guides the process, involving the governing bodies, control units and other teams responsible for verifying Cairn's earnings and financial data.
- ◆ The Audit, Risk and Compliance Committee provide the data for determining performances based on the results achieved and carries out an annual assessment of the remuneration policies' 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 Audit, Risk and Compliance 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 Pay mix

The Cairn remuneration policy is intended to attract and retain highly qualified and professional staff, in particular for key positions and roles, who are suited to the complexity and specialization of its businesses, based on a rationale of prudent management and sustainability of costs and results over time. 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 the company 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 is paid in cash and equity instruments, in part upfront and in part in subsequent years;
- ◆ for a restricted number of staff, participation in a long-term incentive plan (comprising the MIP) 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 Cairn to the personal needs and welfare of its own staff, even after retirement. The benefits chiefly consist of pension, insurance and healthcare schemes.



4 Other information on remuneration structure

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 the company.

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 the company's risk. Remuneration cannot be paid in forms, instruments or means that seek to avoid the applicable regulatory provisions.

5 Key aspects of the remuneration policy for directors and senior employees

Element, purpose and link to strategy	Operation, performance measures, deferral and malus
<p>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 management sector and other comparable companies</p>	<p>Reviewed annually, taking account of market salary levels, Cairn performance, individual performance, changes in responsibility and levels of increase for the broader employee population. 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.</p>
<p>Benefits (Fixed pay) To provide cost-effective fringe benefits to support the wellbeing of employees</p>	<p>Cairn 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.</p>
<p>Pension (Fixed pay) To provide market competitive defined contributions, to assist with recruitment and retention</p>	<p>Employer contributions (at 4% of annual salary) and employee contributions are made to appropriate defined contribution pension arrangements.</p>
<p>Annual bonus (Variable pay) 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 Cairn's performances, with the restriction of maintaining adequate capital stability, liquidity profile, profitability</p>	<p>Following the issue of the Company's unaudited accounts for a 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"). Such recommendations may also include individual allocations for executive directors and other key employees. The Board shall then determine the Discretionary Bonus Pool, having due regard to the recommendations of the Committee, and such determination shall be final and binding. The bonus pool is calculated on the basis of Profit Before Taxes, as defined in the relevant rules. The bonus pool to be earmarked for staff in the control units and staff</p>



<p>and the Firm's future risks. The Board of Directors, having received the recommendation of the Committee, is responsible for the annual discretionary bonus plan.</p>	<p>and support areas is determined on the basis of qualitative considerations, in order to limit the degree of correlation with the Firm's results, thus safeguarding the independence of their role. The Board of Directors, having received a favourable opinion from the Committee, may in any case authorize payment of a variable component 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 the Firm, importance of the profile for the sustainability of future results, analysis of market benchmark and competitive scenario, need to guarantee continuity of operations, and consistency with succession planning.</p>
<p>Management Incentive Plan The MIP is dedicated to employees of Cairn, selected by the Board on the recommendation of the Committee, to include:</p> <ul style="list-style-type: none"> ◆ members of the Executive Management Committee ◆ senior managers; and ◆ other key employees. 	<p>The purpose of the MIP is to retain and incentivise key members of the senior management team at Cairn to grow the value of the business. Awards will take the form of units in a cash pool. Payments in respect of the Awards will be paid out in cash after the Awards have vested subject to the satisfaction of performance conditions defined in the MIP and subject to any withholding. The Board, on the recommendation of the Committee, may waive the Performance Conditions if anything happens which causes the Committee reasonably to consider it appropriate. If an unvested Award lapses in whole or in part under the Plan it cannot Vest and a Participant has no further rights in respect of it, except where the participant is a Good Leaver. In the event of a change of Control of the Company, Awards will not be affected unless the Board, at its absolute discretion, determines that awards shall vest in full immediately or Awards shall immediately Vest but shall be prorated as to time and/or performance.</p>
<p>Malus and Clawback To ensure that bonus awards do not encourage excessive risk.</p>	<p>To the extent required by applicable remuneration legislation, a malus principle applies to the ABP and MIP and, in the case of participants who are MRTs, 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. Full details are set out below.</p>

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

Annual bonuses are awarded to the individual beneficiaries by Board, from the 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).

Cairn 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 the Firm and the Group (as applicable), valuation criteria linked to reputational and compliance issues, and adherence to Cairn's 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, planning 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 Cairn's 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.

7 Malus condition and clawback

The Board may review the level of Awards (including deferred Awards) in the light of the performance of Cairn and any business area or team, and 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 Cairn 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 duties and obligations to Cairn 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. a material breach of Cairn's or the Group's code of conduct and other internal rules, especially those concerning risk (to the extent that such codes of conduct or internal rules have been made available to the participants).

Following its review, the Board may, to the extent required by remuneration legislation, make any determination in respect of an Award including any payment, deferred or otherwise, which it considers appropriate including any reduction in value payable or other such adjustment.



8 Policies in the event of employment being terminated or otherwise ended

Under the ABP and the MIP, 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 part of their unvested Awards.

9 Cairn Capital & Mediobanca Group Material Risk Takers

Any Participant of the ABP or MIP identified as a “material risk taker” (“MRT”) by Cairn Capital 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:

- i. the maximum entitlement under the ABP and the MIP 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 5 times that Participant’s fixed remuneration; and
- ii. any variable remuneration may be subject to enhanced deferral arrangements and clawback.

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

London, October 17th 2019