

## Appendix 3

### Controlled Remuneration Policy Theta Fund Management B.V.

#### 1. DEFINITION

For ease of reading, this Appendix 3 has its own list of definitions, which may deviate from the definitions in the AO/IB on some elements.

<b>AFM</b>	the Autoriteit Financiële Markten
<b>AIFMD</b>	Alternative Investment Fund Managers Directive (Richtlijn 2011/61/EU)
<b>Fund Manager</b>	Theta Fund Management B.V. (" <b>TFM</b> ")
<b>Remuneration Policy</b>	This Remuneration Policy, as amended from time to time
<b>Board</b>	The statutory board of TFM
<b>Control Function</b>	Respectively the risk function and the compliance function
<b>DNB</b>	De Nederlandsche Bank
<b>Funds</b>	Legends Fund and Theta Distressed Credit Opportunities Pool (" <b>TDCOP</b> ") and Theta Blockchain Ventures (" <b>TBV</b> ")
<b>Identified Staff</b>	Any Staff Member whose professional activities have a material impact on the risk profile of the Fund Manager, including the Board and any Staff Member whose total remuneration falls into the same category as the Board
<b>Shares</b>	Participation rights in a Fund
<b>Staff member</b>	A person working under the responsibility of the Fund Manager, including the Board, unless explicitly stated otherwise
<b>Variable remuneration</b>	The part of the total remuneration that is not fixed remuneration, in particular benefits linked to performance or, in certain cases, other contractual criteria
<b>Fixed remuneration</b>	The part of the total remuneration consisting of unconditional financial or non-financial benefits
<b>Wbfo</b>	Financial Institutions Remuneration Policy Act (Wet belongingsbeleid financiële ondernemingen)
<b>Wft</b>	Financial Supervision Act (Wet op het financieel toezicht)



## 2. INTRODUCTION

### *Purpose and scope*

This Remuneration Policy aims to align the objectives of investors in the Funds, the personal objectives of the Staff Members and the long-term objectives of the Fund Manager by means of remuneration of Staff Members. This Remuneration Policy shall be designed in such a way that it is in line with the management of risks for the Fund Manager and does not encourage Staff Members to take more risks for the Fund Manager or the Managers. This Remuneration Policy is in line with the risk profile of the Funds and the business strategy, objectives, values and long-term interests of the Fund Manager and the investors.

### *Legal framework*

This Remuneration Policy is governed by the following legal provisions:

- Article 13 AIFMD;
- Appendix II of the AIFMD; and
- Articles 1:111, 1:112, 1:117 up to and including 1:120, 1:124 up to and including 1:127 Wft.

This Remuneration Policy is also based on the ESMA Guidelines on Sound Remuneration Policies under the AIFMD of 3 July 2013, as amended from time to time.

### *Governance*

Due to its current small size and the relatively simple nature of its discretionary portfolio management activities, the Fund Manager has not established a remuneration committee.

The Board is responsible for the preparation, approval and implementation of this Remuneration Policy. The General Meeting of Shareholders shall decide on the remuneration of the members of the Board in accordance with applicable laws and regulations and this Remuneration Policy.

The Board periodically evaluates the effectiveness of this Remuneration Policy, including with regard to compliance with laws and regulations. In such reviews, at least the following topics shall be assessed:

- Whether this Remuneration Policy works as planned;
- Whether this Remuneration Policy is still in compliance with all laws, regulations and guidelines for regulators;
- Whether this Remuneration Policy is in line with the standards in the financial sector; and
- Whether this Remuneration Policy needs adjustment in view of staff changes and/or changes in the governance of the Fund Manager.

If necessary, the Board shall also involve an external party (such as a specialised law firm) in the assessment.

This Remuneration Policy may be amended at any time by a decision of the Board, but only after consulting an external adviser. All Staff Members shall be informed in a timely manner of any material change to this Remuneration Policy.

The Fund Manager's shareholders shall approve any version of the Remuneration Policy.

*No circumvention*

The Fund Manager will not cooperate in or propose vehicles, constructions and methods that would facilitate or promote the evasion of this Remuneration Policy and the rules laid down in the Wbfo.

### 3. GENERAL PROVISIONS

#### A. Identified Staff and persons occupying control positions

- The designation of Identified Staff is an essential starting point for this Remuneration Policy. The Fund Manager determines for each Staff Member whether he or she qualifies as Identified Staff and within that category whether such person holds a control position. These qualifications determine whether the provisions of Part 4 of this Remuneration Policy apply to the Variable Remuneration of that person in addition to these general provisions.
- The classification of staff shall be reviewed by the Board at the end of each year, or as often as appropriate.
- As at the date of this Remuneration Policy, the Board has designated the following employees as "Identified Staff":
  - o The Director Compliance & Risk: This Director has a control function.
  - o the Director of Investments

#### B. Main principles

- The Board receives a Fixed remuneration and, if applicable, a Variable remuneration that complies with this Remuneration Policy. The total remuneration of the Managing Directors is determined by the General Meeting of Shareholders.
- If and to the extent that the Director of Compliance & Risk receives a Variable Remuneration, it will be independent of the financial performance of the Fund Manager and/or the Funds and will never exceed 25%.
- Decisions on Variable Remuneration of Staff Members other than the Board are, if applicable, taken by the Board.
- If the two Directors cannot reach a decision on the Remuneration Policy or its implementation, they shall call upon an independent external person.
- The Fund Manager will determine annually, at the end of the financial year, the maximum amount of the total Variable Remuneration that can potentially be awarded to other Staff Members (not being Identified Staff) in the annual retrospective award process (i.e. a bonus pool). The bonus pool will be determined based on the individual employment agreements with the relevant Staff Members and on this Remuneration Policy.
- The Variable Remuneration always depends primarily on the Fund Manager's results. The bonus pool can never limit the Fund Manager's ability to strengthen the capital base, insofar as this is required by applicable legislation and/or an instruction from DNB or the AFM.
- After determining the bonus pool as described above, the Manager shall determine the individual Variable Remuneration per Staff Member, in accordance with the Remuneration Policy.
- Should a Variable Remuneration be considered for a Staff Member who holds a control position, such Variable Remuneration shall be granted in accordance with the achievement of the objectives related to their functions (such as reporting and the successful completion of educational programmes) and, in any event, shall be independent of the performance of the Funds and/or the Fund Manager.

- Different remuneration components are combined to ensure an appropriate and balanced remuneration package.
- The remuneration components are:
  - o Fixed remuneration, based on the role and position of the Staff member, including professional experience, responsibility, complexity of the task and local market conditions; and
  - o Performance-based Variable Pay.
- Every employee receives a competitive fixed salary. In addition, the following secondary employment conditions apply:
  - o Holiday pay
  - o Travel allowance
  - o Telephone cost allowance
  - o Expense allowance
- Staff members cannot use personal hedging strategies or insurance to undermine the risk management effects embedded in their Variable Pay Package.
- Any correlation between the compensation of the Director Risk & Compliance and the performance of Theta Fund Management or the funds it manages is prohibited.

#### C. Guaranteed Variable remuneration

- The possibility to receive Variable Pay will not be presented as a guaranteed profitable remuneration to Staff members and it will be made clear at all times that the granting of Variable Pay is a power of the Board.
- Guaranteed Variable Remuneration is only considered and/or applied in the context of hiring a new Staff Member and can in that context only be applied for the first year of employment, if all other conditions of the Remuneration Policy and the applicable legislation (in particular article 1:124 Wft) are met.

## 4. SEVERANCE PAYMENTS

- Payments related to the early termination of a contract reflect performance achieved over time and are designed not to reward failure.
- This does not preclude severance payments in situations such as early termination of the contract due to changes in a Fund's strategy, or in merger and/or acquisition situations.
- The Fund Manager only pays out severance payments, which are based on a pre-determined formula or calculation method (such as a transitional payment) and which are not performance-based. The Fund Manager will therefore not pay any performance-based Variable Remuneration in connection with the departure of a Staff Member.
- Except for the cases in which this is prescribed by law or regulations, the Fund Manager will not make any severance payment in the case of:
  - o 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 the Fund Manager;
  - o Serious misconduct or negligence of the staff member in the performance of his duties;
  - o failure of the company, when it concerns compensation to a member of the Board.

- The severance payment of a director shall not exceed 100% of such director's annual fixed salary.

## 5. PERFORMANCE MEASUREMENTS

- The Fund Manager has a performance measurement process with periodic performance reviews. For each Staff Member, the performance criteria shall be made clear by the Manager and confirmed by the Staff Member. These criteria shall at least include:
  - o Competence and expertise
  - o Flexibility (no 9 to 5 mentality)
  - o Collegiality
  - o Compliance/application of procedures and measures (AO/IB)
  - o Commercial results (new production, maintaining relations, aftercare)
  - o Initiative
  - o Independence
  - o Customer orientation
  - o Deployment
- For Staff members who do not hold a controlling position, important assessment criteria are: (i) not exceeding risk limits, (ii) risk awareness, (iii) focus on risk-adjusted returns and (iv) any operational and investment incidents.
- For Staff members in control positions who are eligible for Variable Remuneration, links to the performance of the Funds are avoided when assessing performance, where applicable.
- In general, financial criteria are not decisive and qualitative factors (such as teamwork, dedication, compliance, customer satisfaction, quality of work, development and technical skills) are at least as important. Negative non-financial performance, in particular unethical or non-compliant behaviour, takes precedence over good financial performance and leads to a lower variable remuneration for the relevant Staff Member(s).
- The assessment of Performance Criteria shall take into account a multi-annual framework and shall also look at assessments and achievements in other years.
- In each individual bonus arrangement with a Staff Member (other than a Staff Member with a control function), 50% financial and 50% non-financial performance criteria are defined. The Variable Pay depends on both the individual performance of the relevant Staff Member and the performance of the Funds.
- At the end of the appraisal and reward cycle, the Manager translates the performance measurement into Variable Pay for the relevant Staff Member, taking into account the performance of the Funds (for non-controlling staff) and the individual performance of the specific Staff Member.
- The consideration of adverse sustainability impacts and sustainability risks does not influence the performance of a Staff Member.

## 6. CLAUW 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 the Funds, 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.

## 7. IDENTIFICATION OF POTENTIAL RISKS

- At the date of this Remuneration Policy, no individual bonus schemes for Staff Members apply.
- The description of the identification of risks in this Remuneration Policy shall be amended, as appropriate, if different types of individual bonus schemes are introduced.
- There are no remuneration components that lead to conflicts of interest between the Staff members and the task of the Fund Manager towards the Funds.

## 8. CONSISTENCY WITH RISK MANAGEMENT

- The performance valuation process used to calculate the pool of Variable Rewards incorporates adjustment possibilities (correction mechanism) for all relevant types of current and future risks. The process takes into account the cost of the capital and liquidity required.
- The Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking beyond the level of the risk appetite of the Manager, the Funds and the investors.

## 9. REMUNERATION OF IDENTIFIED STAFF

The following applies to Identified Staff members who may receive a Variable Remuneration.

### 1. Cash versus financial instruments

- The Fund Manager is a private company with Theta Capital Management as 100% shareholder and therefore the application of options or share-based compensation schemes is not possible.
- The Funds all have a minimum participation amount of EUR 100,000.
- The administrative impact of creating an alternative to distributing Variable Remuneration in the form of shares in the Fund Manager or in Participations, places a large burden on the Fund Manager.
- In view of the above, and given the limited proportion of Variable Remuneration compared to Fixed Remuneration within the Fund Manager (the average ratio is 100/25 and a limited number of Staff members are eligible for Variable Remuneration), Variable Remuneration will only be paid out in cash.

### 2. Postponement

The Fund Manager makes use of the principle of proportionality with regard to the payout rules for which guidance is given in Section XII.IV (Payout procedure), and where

proportionality may be applied in accordance with paragraph 26 of the AIFM Directive. The justification for this is as follows:

- Size: the Fund Manager is a small organisation (4 FTEs in total, of which only 2 are Identified Staff). The AuM is growing, but the risk remains low due to the long-term approach of the investment policy. Investments are only made in underlying funds with a long-term vision in all areas (investments, organisation, compensation). By investing in this way, the risk that a Staff Member acts or may act on the basis of a short term thought/intimidation is already very small.
- Internal organisation: the structure of the Fund Manager and the two Funds is not considered to be complex.
- Nature, scope and complexity of operations: The Funds have a relatively simple investment policy. Investments are made in a limited number of underlying funds with a long term view and consequently few portfolio changes. For Legends Fund, investments are made in 10-15 underlying funds of which typically 1 or 2 are changed per year. TDCOP invests in 4-8 underlying funds of which typically 0 or 1 is changed per year. TBV invests into 8-10 funds

## 10. PUBLICATION OF THE REMUNERATION POLICY

### 1. External Disclosure

- The Fund Manager makes a summary of the Remuneration Policy available on the website.
- The Fund Manager includes the legally required information on Variable Remuneration in its annual accounts, except when the inclusion of such information entails a disclosure of the Variable Remuneration of an individual member of staff.
- At the request of DNB or the AFM, the Fund Manager will provide details of individual remuneration to the regulator concerned.

### 2. Internal disclosure

- The full Remuneration Policy is accessible to all Staff Members
- The assessment process shall be properly documented and communicated to the Staff Member concerned. Confidential quantitative aspects of the Variable Pay of Members of Staff shall not be disclosed internally.