

# Remuneration Policy

March 2019

Kieger (Luxembourg) SA / Policy 02-01

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## 1 Policy Identification

Policy Number	02-01
Policy Category	Human Resources Policies
Subject	To determine the remuneration policies and practices applicable to members of the Board of Directors ("BoD") and employees of <b>Kieger (Luxembourg) SA</b> (the " <b>Company</b> ") acting in its capacity as (i) management company governed by article 125-2 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended from time to time and (ii) alternative investment fund manager pursuant to Chapter 2 of the Law of 12 July 2013 on alternative investment funds managers (the " <b>AIFM Law</b> ").
Office responsible for this policy	Conducting Officers
Approval body for this policy	Board of Directors
Last validation date	19.03.2019

## 2 Policy version

Version	Date	Change
2.0	05.12.2016	V1 dated 21.03.2016
3.0	19.03.2019	V2 dated 05.12.2016

## 3 Scope

This Policy applies to the following categories of staff (please refer to organizational chart in the Organisational Regulations of the Company):

- ☉ The Conducting Officers
- ☉ Other executive and non-executive members of the board of directors of the Company (the "**BoD**")
- ☉ The persons in charge of the control functions of the Company, i.e. the Risk Manager
- ☉ Other risk takers, if any, such as staff members, whose professional activities - either individually or collectively, as members of a group (e.g. a unit or part of a department) - can exert material influence on the Company's risk profile or on the alternative investment funds managed by the Company (the "**Funds**"), including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the Company or of the Funds.
- ☉ Any other employee of the Company (not part of the Identified Staff as defined under section 5)

## 4 Policy Statement

The Company has implemented remuneration policies and practices that:

- ☉ Are consistent with and promote sound and effective risk management of the Funds;
- ☉ Do not encourage risk-taking which is inconsistent with the risk profiles or fund rules governing the relevant Funds; and
- ☉ Do not impair compliance with the Company's obligations to act in the best interest of the Funds.

This Policy has been established and approved by the BoD and by the persons in charge of the daily conduct of the business of the Company (the "**Conducting Officers**").

## 5 Identified Staff

Article 12 of the law of 12 July 2013 on alternative investment fund managers, as amended (the "AIFM Law"): *"Management and AIFMs must have remuneration policies and practices for those categories of identified staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Management Company / AIFM or of the AIFs they manage, that are consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles, management regulations or instruments of incorporation of the AIFs they manage. They must determine the remuneration policies and practices in accordance with Annex II of the AIFM Law"*.

Identified Staff in the meaning of this Policy are the members of the BoD, the Conducting Persons and the members of the investment committee (the "IC").

We use the criteria described above in the AIFM Law to determine if an employee is member of the Identified Staff.

Qualitative criteria: except the Conducting Persons, no employee is a risk taker or has control functions.

Quantitative criteria: no employee has a remuneration comparable to the Conducting Persons, at minimum 40% less.

Based on those criteria, the composition of the Identified Staff will be reviewed regularly, at least on an annual basis.

For the avoidance of doubt, it is the combination of the two criteria that must be assessed in determining the composition of the Identified Staff.

## 6 Proportionality Principle

**6.1** Certain of the remuneration requirements imposed by the AIFM Law and clarified by ESMA Guidelines are subject to the principle of proportionality. This principle gives some flexibility to the Company, by taking into account certain criteria relating to the Company itself and/or to the Identified Staff (e.g. the size, internal organisation, nature, scope and complexity of their activities) in order to:

6.1.1 disapply or neutralise in their entirety some of the remuneration principles; or

6.1.2 only implement in less burdensome way some other of these remuneration principles.

**6.2** The Company has considered that a disapplication or simpler application for some of the remuneration requirements imposed by the AIFM Law is appropriate, as further justified in this Clause 6 hereof.

When applying the proportionality principle, the Company complies with the proportionality guidelines as set out in sections 23 to 31 of ESMA Guidelines. Annex I presents the reasoning behind the application of the Proportionality Principle.

Due to the size, complexity and nature of the Company's activities as further described in Clause 3, the following requirements on the payout process will not be implemented in accordance with sections 26 to 28 of ESMA Guidelines:

- ☹ retention,
- ☹ deferral,
- ☹ ex post incorporation of risk for variable remuneration,
- ☹ the requirement to establish a remuneration committee.

**6.3** All Staff who are members of the Company are not considered being independent risk takers and thus do not have personal influence over the performance of the Funds and the Company itself. The absence of ability of individual risk taking and the limited level of overall variable remunerations (bonuses and LTIP as defined in Clause 8.1.a below) justify to disapply the requirements under paragraphs 1)m) and 1)n) of Annex II of the AIFM Law.

**6.4** The proportionality principle is applied at institutional level, no individual exception. No Staff member has a remuneration directly linked to the performance of the Funds.

## 7 Governance of the Remuneration

### 7.1 BoD

- 7.1.1 Given the size, internal organisation, nature, scope and complexity of its activities and its legal structure, the Company does not have a separate supervisory function within the meaning of ESMA Guidelines, and that supervisory function shall be understood, in accordance with ESMA Guidelines, as the members of the BoD responsible for these functions.
- 7.1.2 The BoD, acting in its supervisory function, is responsible for determining, maintaining and implementing the remuneration policy of the Company. The remuneration policy of the Company, as well as any subsequent material exemptions or changes thereof shall be approved by the BoD.
- 7.1.3 The BoD, acting in its supervisory function, will ensure that:
- a) the remuneration policy of the Company is consistent with and promotes sound and effective risk management and more particularly:
    - ☉ is in line with the business strategy, objectives, values and interests of the Company and the Funds it manages or the investors of such Funds;
    - ☉ does not encourage excessive risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds managed by the Company;
    - ☉ enable the Company to align the interests of the Funds and their investors with those of the Identified Staff that manages such Funds, and to achieve and maintain a sound financial situation;
  - b) the following elements are taken into account in the design, implementation and oversight of the Company's remuneration policy:
    - ☉ the Company's overall corporate governance principles and structures, as well as their interactions with the remuneration system;
    - ☉ the clear distinction between operating and control functions, the skills and independence requirements of members of the BoD, the safeguards for preventing conflicts of interests and the internal reporting system and the related parties' transactions rules.

### 7.2 Control functions

- 7.2.1 The control functions of the Company will assist the BoD in determining the overall remuneration strategy applicable to the Company, having regard to the promotion of effective risk management.

In particular the internal audit function will periodically carry out an independent audit of the design, implementation and effects of the Company's remuneration policy.

### 7.3 Remuneration committee

7.3.1 In accordance with Annex II of the AIFM Law and sections 52 to 57 of ESMA Guidelines, the BoD considers that the Company is currently not obliged to establish a remuneration committee, since the size and the complexity of its business activities and in particular the fact that no one has the ability to make investment decisions alone on behalf of its Funds.

7.3.2 Indeed, as further described in Clause 3 thereof, the number of the Company's employees is limited to 6 persons (excluding the members of the BoD). Finally, it is not the intention of the Company to collect any performance fees.

## 8 Remuneration Principles

### 8.1 Design of the remuneration – Identified Staff

The remuneration of all Identified Staff (including the members of the BoD) will be determined by the Management of the Group and approved by the BoD on the basis of the following principles:

- a) All Identified Staff shall receive a total compensation package consisting of a fixed part taking the form of an annual salary, eventually a variable that shall be driven by the Identified Staff individual performance and eventually a Long Term Incentive Plan ("LTIP") established by the Company. Payment of variable component or to grant LTIP's benefits are not guaranteed. LTIP terms and conditions will be detailed in a separate document. In principle, there is no correlation between the remuneration of an Identified Staff member and the performance of the Funds. An annual assessment will be made to check this.
- b) Members of the BoD only receive annual directors' fees which are unilaterally decided by the sole Shareholder of the Company and are not correlated with the performance of the Funds.
- c) Members of the IC only receive annual IC membership' fees which are unilaterally decided by the sole Shareholder of the Company and are not correlated with the performance of the Funds.
- d) The remuneration level of Identified Staff will be based on, amongst others, the following criteria:
  - ☉ knowledge, expertise and skills;
  - ☉ tasks, powers and responsibilities;
  - ☉ learning attitude and motivation;
  - ☉ interaction with other teams;

- ☉ adequate personal performance management, including personal objectives follow-up and achievement as per the "Objectives Definition & Performance Measurement" process ("ODPM") of the Company;
  - ☉ policies, processes and procedures follow-up;
  - ☉ values and ethics follow-up;
  - ☉ adequate risk governance and orientation.
- e) The appropriate balance of remuneration components may vary across staff members, depending on their functions, activities, seniority and their personal achievements;
- f) Subject to Clause 7, the remuneration structure of the control functions personnel does not compromise their independence or create specific conflicts of interest in their advisory role to the BoD;
- g) The variable remuneration shall take the form of:
- ☉ bonuses paid in cash out of the Company's assets. These bonuses will be paid once a year (final payment for the previous financial year of the Company, if any), on the basis of the financial results of the Company as well as the personal achievements of the respective Identified Staff;
- and/or
- ☉ LTIP paid out, after a vesting period as defined in the respective documents, in cash and/or in units of Funds.
- h) As regards personal performance measurement, an OPDM meeting will be held in each December between the Identified Staff members and their line manager where: (i) measurement / assessment for the preceding year shall be discussed, (ii) the Identified Staff members will be informed of the bonus to be paid for the preceding year and payment of the integral part of the bonus, if applicable, will be made in first quarter thereafter, (iii) the objectives for the new financial year shall be in principle defined jointly.
- i) The nature of the business of the Company does not provide the possibility to create incentives on the basis of risk taking, and the remuneration policies and procedures according to the remuneration policy confirms the non-creation of incentives on such basis.
- j) The Company does not apply any discretionary pension as a remuneration component.
- k) Each Identified Staff member shall not undertake personal hedging strategies on their investments in the Funds.

## 8.2 Design of the remuneration – Not Identified Staff

All the employees "*Not Identified Staff*" are subject to the same principles as those listed in section 8.1 except that they are not entitled to a LTIP and that their remuneration does not need to be approved by the BoD.

## 8.3 General requirements

8.3.1 In addition to the criteria set forth under Clauses 8.1 and 8.2 hereof, any form of payments, benefits, remunerations and bonuses will be paid directly by the Company (hereafter, commonly referred to as "Remuneration") in exchange for services rendered by the Identified Staff or the Not Identified Staff.

8.3.2 Fixed components:

- a) Salary;
- b) Benefits such as supplementary pension scheme, company car, car parking space, lunch vouchers, etc.
- c) Director's fees (i.e. "*tantièmes*" paid to the Members of the BoD)
- d) IC membership's fees

8.3.3 Variable components:

- a) Bonus paid in cash (this only applies to employed staff as Members of the BoD Directors are not entitled to a variable Remuneration).
- b) LTIP paid in in cash and/or in units of Funds (this only applies to employed (Identified) staff as Directors are not entitled to a variable Remuneration).

8.3.4 Any Remuneration, should, except if such payment constitutes a reimbursement of expenses, follow the principles set forth hereinafter:

- a) where Remuneration is performance related, the total amount of remuneration is solely based on the assessment of the performance of the individual, and of the business unit concerned, and when assessing individual performance, financial as well as non-financial criteria are taken into account;
- b) the Company may, on exceptional basis, decide to guarantee the payment of an exceptional variable Remuneration (for the first year of employment only) in the context of hiring a new staff. In such a case, the Company will set the terms and conditions of such exceptional bonus taking into consideration the financial soundness of the Company and the Funds managed by it;

- c) all payments related to the early termination of a contract will reflect performance achieved over time and will not be designed in a way that rewards failure;
- d) all employees will be subject to official pension scheme as provided by government. The Company also provides a supplementary pension scheme based on fixed salary and excluding bonuses, which pension scheme is in line with the business strategy, objectives, values and long-term interests of the Company and the Funds managed by it;
- e) variable Remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Law.

## 9 Measures in Case of Delegation of Portfolio Management or Risk Management Activities

9.1 When delegating portfolio management or risk management activities according to Article 20 of the AIFM Law, the Company will ensure that:

9.1.1 the entities to which portfolio management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under these guidelines; or

9.1.2 appropriate contractual arrangements are put in place with entities to which portfolio activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines. In accordance with the guidelines, the contractual arrangements will cover any payments made to the delegates' identified staff as compensation for the performance of portfolio or risk management activities on behalf of the Company.

9.2 The portfolio management of the Funds is delegated by the Company to several highly reputable investment managers, all of them being regulated in their home country either by the Financial Conduct Authority ("FCA" in the United Kingdom), the Securities and Exchange Commission ("SEC" in the United States) or more marginally other supervisory authority.

9.2.1 Those investment managers regulated in the UK are subject to the remuneration provisions of CRD IV (the UK Remuneration Code contained in SYSC 19A) or the remuneration provisions applying to BIPRU (MiFID) firms (the UK Remuneration Code contained in SYSC 19C) or EEA equivalents will be considered subject to remuneration regimes which are equally as effective as the AIFM Remuneration Code.

9.2.2 Similar approach would be applied to those investment managers regulated in a jurisdiction where requirements in terms of remuneration regimes are equally as effective as the AIFM Remuneration Code.

9.2.3 If an investment manager is not regulated in a country applying equivalent remuneration regime, the Company will implement the following mapping:

- ☉ Determine the types of compensation that qualify as remuneration under the Directive.
- ☉ Request from the investment manager to prepare a list of Identified Staff.
- ☉ Review disclosure in the Annual Report of the investment manager of compensation by categories of staff (including fixed/variable components).
- ☉ Consult with auditors and legal counsel to ensure that the information the Company expects to gather to prepare the fund remuneration disclosures meets audit and reporting requirements under the AIFM Law.

## 10 Prevention of Conflicts of Interests

10.1 The Company has identified the following areas of potential conflicts of interests:

- 10.1.1 non-disclosure by a staff member of problems or issues, in order not to endanger a potential variable remuneration component. This risk is mitigated by the declaration requested to be given by the staff member on the OPDM form and non-abiding would authorise the Company to claim back any variable components which would have been paid on the basis of data resulting from fraudulent actions, including wrong or misleading statements;
- 10.1.2 non-disclosure by a line manager of problems or issues persisting at the level of reporting staff, in order not to endanger a potential variable remuneration component. This risk is mitigated by the declaration requested to be given by the line manager on the OPDM form;
- 10.1.3 acquisition of a mandate with a high risk profile in view of receiving a variable remuneration component for this new business. This risk is addressed by the fact that members of the BoD (which are the only identified staff members deciding to on-board new mandates) do not get any variable remuneration in this regard and are therefore not encouraged to acquire such risky mandates.

## 11 Implementation and Periodical Review of the Remuneration Policy

- 11.1** The implementation of the remuneration policy of the Company will be reviewed at least on an annual basis by the Management of the Group in order to assess whether the overall remuneration policy:
- 11.1.1 operates as intended (in particular, that all agreed plans/programs are being covered, that the remuneration payouts are appropriate, and that the risk profile, long-term objectives and goals of the Company are adequately reflected); and
  - 11.1.2 is compliant with national and international laws, regulations, principles and standards.
- 11.2** The relevant internal control functions of the Group (i.e. internal audit, risk management, compliance functions, etc.) will be closely involved in reviewing the remuneration system of the Company.
- 11.3** The Management of the Group will report on the outcome of this review to the BoD and the Conducting Officers. The BoD, acting in its supervisory function, will approve the review of the remuneration policy as performed by the Management of the Group and will assess whether it is necessary to amend this Policy (notably on the basis of the outcome of the review performed). This assessment shall be made at least annually and each time a material change likely to affect the remuneration policy of the Company occurs.

## 12 Disclosure

### 12.1 Internal disclosure

- 12.1.1 This remuneration policy will be accessible to all staff members on any bank business day, which will know in advance the criteria that will be used to determine their remuneration. Confidential quantitative aspects of the remuneration of all the employees will of course remain confidential and will thus not be internally disclosed.
- 12.1.2 The information provided to all the employees may, if the size, internal organisation, nature, scope and complexity of the activities of the Company so requires, contain the following elements:
- a) information concerning the decision-making process used for determining the remuneration policy, including if applicable, 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 linkage between pay and performance;
  - c) information on the criteria used for performance measurement;

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

## 12.2 External disclosure

- 12.2.1 This remuneration policy will be accessible to regulators and other state bodies who are officially entitled to request such policy.
- 12.2.2 The quantitative (financial) as well as qualitative (non-financial) criteria used by the Company for assessing individual performance which are relevant for determining the remuneration policies and practices are described under Section XII.II.IV.I (Qualitative/Quantitative measures) of the ESMA Guidelines will also be disclosed in the disclosure reports.
- 12.2.3 The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the Company to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the Funds;
- 12.2.4 The aggregate amount of remuneration broken down by senior management and members of staff of the Company whose actions have a material impact on the risk profile of the Funds.

## 13 Review of this Policy

- 13.1 From time to time this policy will be compared with best practices published by the local industry.
- 13.2 This policy shall be reviewed if one is becoming aware of any weaknesses within the policy while applying it in the course of a due diligence.
- 13.3 Any amendment of this policy must be approved by the BoD.

## 14 Approval & Validation

- ☉ This Policy was approved by the BoD on **19March 2019**.
- ☉ This Policy is valid until further notice.

KIEGER (LUXEMBOURG) SA			
			
Name	Christophe Lavall	Name	Arthur Philippe
Function	Conducting Officer	Function	Chairman of the Board of Directors

## Appendix I: Proportionality Principles Applied by the Company as Laid Down in Section 29 of the ESMA Guidelines

### 14.1 Small size of the Company and the managed Funds

- a) the Company's capital is set at EUR 125'000;
- b) the Company has only six employees (including the Conducting Officers but excluding the four members of the BoD); and
- c) the value of assets under management slightly exceed GBP 1 million (by reference to the threshold set by the FCA to presume where it is appropriate to disapply the Pay-out Process Rules).

### 14.2 Non-complex internal organisation of the Company and the managed Funds

- a) Neither the Company nor its managed Funds have a complex legal or governance structure to the extent that:
  - ☉ the Company qualifies as a Luxembourg management company subject to article 125-2 of the UCI Law and Chapter 2 of the AIFM Law;
  - ☉ the Company is managed by its BoD which consists of four members: Mr Arthur Philippe (Chairman), Mr Lorenzo Trezzini (Director), Mr Thierry Pascault (Director) and Mr Pascal Schiltz (Director).
  - ☉ the Company has six employees in Luxembourg and none of those employees are either shareholders of the Company or members of the BoD. The employees are mainly dedicated to the various daily activities of the Company (such as legal, operational and administrative tasks);
  - ☉ the two Funds managed by the Company are common funds (*fonds communs de placement*) qualifying as specialised investment funds ("SIFs") and investing in all type of assets permitted under the Luxembourg law dated 13 February 2007 relating to specialised investment funds, as may be amended from time to time (the "SIF Law");
- b) The Company is not listed on a stock exchange.

### 14.3 Nature, scope and complexity of the business activities of the Company and the managed Funds

- a) As regards the Funds, the Company has delegated under its responsibility the portfolio management in accordance with article 18 of the AIFM Law, (except for the funds of funds where the Company takes the investment upon the advice of Kieger AG). The frequency of investment decisions is generally low for funds of funds. No administration (which is also delegated), active marketing or additional services, under article 5(4) of the AIFM Law are provided by the Company.



- b) The main risk profile of the Company is affected by the quality of the execution of its activities. Financial, operational and reputational risks exist on the basis of inadequate and/or erroneous performance of tasks, including but not limited to the timely and comprehensive implementation of investment and disinvestment decisions, regulatory reporting, legal publication requirements, etc. Consequently, excellence in execution reduces risks, which is rewarded with a potential variable remuneration component. However, it is not the intention of the Company to collect any performance fees, i.e. performance fees which increase with higher performance and/or risk taking.

## Appendix II: Governing Laws, Regulations and Applicable Agreements

This Policy aims at ensuring compliance with the requirements of:

- ☉ Article 12 and Annex II of the AIFM Law;
- ☉ ESMA Guidelines , and
- ☉ Circular CSSF 10/437 and Commission Recommendation of 30 April 2009 on remuneration policies in the financial services sector.

As far as applicable and where meaningful in relation to the Funds the following law and regulations have been taken into consideration:

- ☉ SIF Law; and
- ☉ The Commission delegated regulation No 231/2013 of 19 December 2012 supplementing the AIFM Directive with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.