



ETHENEA Independent Investors S.A.

Remuneration Policy

Human Resources / Compensation & Benefits

December 2017

Contents

- 1. Preamble..... 3
- 2. Scope..... 3
- 3. Identified Staff 3
- 4. Delegation of portfolio management functions..... 3
- 5. Guidelines applicable at ETHENEA Group level 4
- 6. General information on ETHENEA remuneration practices (“Remuneration System(s)”)..... 4
 - 6.1 Remuneration philosophy..... 4
 - 6.2 General remuneration structures..... 5
 - 6.3 General principles of remuneration..... 5
 - 6.4 Organisation of the variable remuneration elements and decisive remuneration parameter..... 6
- 7. Application of proportionality principle 7
- 8. Specific organisation of the Remuneration Systems 8
 - 8.1 Identification of risk-relevant employees falling among the Identified Staff..... 8
 - 8.2 Division into employee groups..... 8
 - 8.3 Remuneration type for both employee groups..... 8
- 9. Remuneration Committee 8
- 10. Auditing approval and implementation of the Remuneration Systems..... 9
- 11. Internal and External Disclosure 9
- 12. Remuneration Policy Controls..... 9
- 13. Entry into Force 9

1. Preamble

This remuneration policy (the “Remuneration Policy” or “Policy”) forms an integral part of the policies of ETHENEA Independent Investors S.A. (“ETHENEA”) and its subsidiaries (hereinafter collectively: “ETHENEA Group”). The Remuneration Policy is designed to ensure compliance with the provisions of the regulatory requirements on remuneration systems of institutions established under:

- CSSF¹ Circular 10/437 of 01/02/2010 (also mentioned in CSSF Circular 12/546)
- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“UCITS”) as regards depositary functions, remuneration policies and sanctions (hereinafter “UCITS Directive”)
- ESMA Guidelines on sound remuneration policies under the UCITS Directive (ESMA/2016/575)

2. Scope

The Remuneration Policy applies to ETHENEA and sets out principles applicable to:

- all forms of payments or benefits paid by ETHENEA;
- any amount paid directly by the UCITS managed by ETHENEA (hereinafter the “concerned UCITS”) including any portion of performance fees that are paid directly or indirectly for the benefit of identified staff (see below definition); and
- any transfer of units/shares of the concerned UCITS,

in exchange for professional services rendered by identified staff of ETHENEA and, as the case may be, of the ETHENEA Group.

3. Identified Staff

The following categories of staff fall under the definition of Identified Staff:

- members of the Board of Directors, either executive or non-executive
- the Senior Management (i.e. General Management) and any employee receiving total remuneration in the range of the remuneration of the General Management
- control functions (compliance, risk management, internal audit)
- staff responsible for heading portfolio management, administration, marketing, human resources
- risk takers, whose professional activities have a material impact on the risk profile of ETHENEA and/or the concerned UCITS

4. Delegation of portfolio management functions

In case of delegation of investment management functions (including risk management) by ETHENEA, the present Policy applies as well to categories of staff of the entities to which investment management activities with respect to concerned UCITS have been delegated or sub-delegated from time to time (“Delegates”), to the extent that they take investment decisions which affect the risk profiles of the concerned UCITS.

To this extent, according to Article 13 of the UCITS Directive, ETHENEA will ensure that:

- a) the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under these guidelines; or
- b) appropriate contractual arrangements are put in place with entities to which investment management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the present guidelines; these contractual arrangements should cover any payments made to the delegates’ identified staff as compensation for the performance of investment management activities on behalf of the management company, ETHENEA.

¹ *Commission de Surveillance du Secteur Financier.*

For the purpose of letter a) under the previous paragraph, an entity can be considered subject to regulatory requirements on remuneration that are equally as effective as those applicable under these guidelines, *inter alia*, where the following conditions are met:

- the entity with whom the delegation arrangement is concluded is subject to the remuneration rules under either Directive 2013/36/EU (CRD IV), Directive 2011/61/EU (AIFMD) or Directive 2009/65/CE (UCITS); and
- the staff of the entity who are identified staff for the purpose of these guidelines are subject to the CRD IV, AIFMD or UCITS rules.

Delegates of ETHENEA must demonstrate that they are subject by law or regulations to an equivalent remuneration policy. If an appointed portfolio manager or investment manager is not subject by law to an equivalent remuneration policy, the Board of Directors of ETHENEA will assess the respective remuneration policy and make proposals to align the remuneration policies with the relevant regulations, guidelines and other applicable laws and regulations, and/or consider putting in place appropriate contractual arrangements with such Delegates.

5. Guidelines applicable at ETHENEA Group level

It may be the case that in a group context, non-UCITS sectoral prudential rules applying to group entities may lead certain staff of the ETHENEA which is part of that group to be 'identified staff' for the purpose of those sectoral remuneration rules.

In light of this, ETHENEA will ensure that where some employees or other categories of personnel of ETHENEA perform services subject to different sectoral remuneration principles, they should be remunerated either:

- a) based on the activities carried out and on a pro rata basis, to the extent that it is possible to single out an individual activity; or
- b) by applying the sectoral remuneration principles which are deemed more effective for achieving the outcomes of discouraging inappropriate risk taking and aligning the interest of the relevant individuals with those of the investors in the funds or other portfolios they manage.

6. General information on ETHENEA remuneration practices (“Remuneration System(s)”)

6.1 Remuneration philosophy

The Remuneration System is designed on the basis of a uniformly implemented remuneration philosophy. Part of this remuneration philosophy is to use remuneration decisions to support achievement of ETHENEA's strategic business objectives, set incentives for employees to conduct themselves in a manner that is responsible and mindful of the risks² and promote the creation of value for the shareholders. This creates a result-oriented business culture that appreciates the personal performance and individual strengths of employees, thus motivating them to fully realise their personal performance potential in the interests of ETHENEA. This harmonises the interests of ETHENEA management and employees, falling among the Identified Staff, with the interests of shareholders.

In order to implement the remuneration philosophy, ETHENEA has defined the following basic principles for development of the Remuneration Systems to be applied in all units of the ETHENEA Group:

The Remuneration Systems should:

take into account the profitability as well as the risk costs and capital costs of ETHENEA;

- guarantee ETHENEA's future economic performance and earning power over the long term;
- offer ETHENEA employees an attractive and competitive incentive system;

² Including but not limited to operational risks, compliance risks, investment risks, and risks described in each concerned UCITS' prospectus.

- promote awareness of long-term consequences and responsible conduct amongst employees;
- avoid incentivising employees to take on excessive risk positions;
- guarantee that ETHENEA can also recruit and retain highly qualified and talented employees into the future;
- in calculating the remuneration, differentiate reasonably between areas and responsibilities;
- have a transparent and comprehensible design and avoid unnecessary complexity.

Accordingly, the Remuneration Policy aims at:

- promoting sound and effective risk management;
- ensuring that the remuneration is in line with the business strategy, objectives, values and interests of ETHENEA and the concerned UCITS;
- not encouraging risk taking which is inconsistent with the risk profiles, rules or articles of incorporation or management regulations of the concerned UCITS;
- ensuring consistency with and promotion of sound and effective risk management to avoid excessive risk taking;
- avoiding to impair compliance with the duty of ETHENEA to act in the best interest of the concerned UCITS;
- avoiding and/or managing conflicts of interest.

6.2 General remuneration structures

Remuneration of Identified Staff comprises fixed and variable remuneration components as well as incidental benefits.

The fixed remuneration component consists in the Identified Staff's annual salary as well as fringe benefits. This salary is determined by the conditions set out in the individual employment contract. The incidental benefits include all other benefits such as health management and training. In addition to this, the Identified Staff, in certain jobs and/or with certain duties (e.g. field staff, General Management) may be provided with a company car. The fixed remuneration component is hereinafter referred to collectively as "fixed remuneration".

The variable remuneration component is the performance-based remuneration, namely the annual discretionary remuneration as well as other special payments (e.g. for successfully completed projects). The variable remuneration component is hereinafter referred to collectively as "variable remuneration".

The variable remuneration should at all times be reasonable compared to the fixed remuneration and there shall always be an appropriate balance between the fixed and variable remuneration, in line with the business strategy, objectives, values and interests of ETHENEA. ETHENEA has defined upper limits for the ratio of fixed to variable remuneration, as further described below. This ratio varies by risk category (risk group 1 and 2 as further explained below). Upper limits apply to the portion of target/orientation bonus in the total remuneration. Employees, including those among Identified Staff, engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the business areas that they control.

6.3 General principles of remuneration

The Remuneration Systems are based on the following general principles of remuneration:

Fixed and variable remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration. Moreover, the fixed remuneration is designed in a way that the Identified Staff does not have to rely on the variable remuneration to cover reasonable costs of living. As a general rule, guaranteed payments of variable remuneration (e.g. guaranteed annual special payments) are not permitted, and in any case shall only be allowed within the framework of

commencement of an employment relationship and for no more than one year starting from the time of engagement.

Severance payments shall only be made in connection with the departure of an employee, including those falling among the Identified Staff, with an agreement involving an individual right and always ensuring that there is no reward for “failure”. In particular, it is not permitted to promise employees guaranteed payments in the event of a future departure (golden parachutes).

The Remuneration Systems are designed in a way that ETHENEA has the option to apply adjustments in the event of unreasonably high variable remuneration sums. In particular, ETHENEA may perform ex-post risk adjustments where, at its reasonable discretion, remuneration sums are unreasonably high taking into account the risk positions applicable in the case at hand, the provisions of the law and the requirements of the UCITS Directive. The variable remuneration shall be geared towards achievement of the goals specified in the strategy of ETHENEA, the performance of the individual and the business unit or concerned UCITS (see dedicated paragraph below), and particularly towards the relevant risk profile of the concerned UCITS and ETHENEA. To this extent, the variable remuneration may be contracted or ETHENEA would have the possibility to pay no variable remuneration.

Should certain factors appear (such as but not limited to: evidence of misbehaviour or serious error by the person in scope, a significant downturn in the financial performance or a significant failure of risk management in the ETHENEA Group, a significant change in ETHENEA’s financial situation and in general, when special remunerations have been based on fraudulent data) ETHENEA’s ex-post risk adjustments may lead to the reimbursement (clawback) of variable remuneration awarded to Identified Staff .

Incentivizing Identified Staff, to take on excessive or unreasonable risk positions, must be avoided. The sum of the variable remuneration of employees in control or operational functions (such as risk management, legal, compliance, fund operations, finance) must not be determined by parameters in relation to fund performance but in relation to their respective function.

Identified Staff of ETHENEA are required to undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements laid down in the UCITS Directive.

6.4 Organisation of the variable remuneration elements and decisive remuneration parameter

As mentioned above, the variable remuneration of Identified Staff is performance related and the Staff members of ETHENEA are subject to an annual performance assessment.

Performance is a key aspect of the ETHENEA business culture. Therefore, results-based and performance-based variable remuneration components are a key part of the Remuneration Systems of ETHENEA. Here, the variable remuneration is designed in a market-oriented manner and is compared to that of competitors at regular intervals.

In principle, calculation of the variable remuneration for the financial year (especially the annual bonus) factors in the risk-adjusted results of ETHENEA and individual business segments as well as the individual performance of the Identified Staff, assessed throughout a multi-year framework appropriate to the holding period recommended to the investors of the concerned UCITS. In particular, when assessing individual performance ETHENEA takes into consideration financial (e.g. revenues, etc.) and non-financial criteria (e.g. individual behaviour, team spirit, contribution to the overall performance of ETHENEA).

From a governance perspective, the definition of the criteria for measurement of the ETHENEA Group and business segment results shall be coordinated and controlled by ETHENEA's General Management and the Board of Directors. Here, the relevant indicators for the individual business segments are specially developed taking into account the relevant strategies, targets, risks and necessary activities. Individual targets and target/orientation bonuses shall be agreed and/or specified within the framework of internal rules in the relevant business segment in consultation between management and employees, including those falling among the Identified Staff.

7. Application of proportionality principle

ETHENEA has carried out an assessment with respect to the different characteristics of the company in order to justify the implementation of the proportionality principle.

The assessment has been based on the following main criteria:

- size:
 - the value of the management company capital and to the value of the assets under management (including any assets acquired through the use of leverage) of the UCITS that ETHENEA manages;
 - liabilities or risks exposure of ETHENEA and of the UCITS that it manages; as well as the number of staff, its branches or subsidiaries;
- internal organisation:
 - the legal structure of ETHENEA or the UCITS it manages;
 - the complexity of the internal governance structure of ETHENEA;
 - the listing on regulated markets of ETHENEA or the UCITS it manages;
- nature, scope and complexity of the activities:
 - the type of authorized activity :
 - ETHENEA is supervised by the CSSF as Management Company subject to chapter 15 of the Luxembourg law dated 17 December 2010 on undertakings for collective investments, as amended;
 - the type of investment policies and strategies of the UCITS ETHENEA manages
 - each concerned UCITS invests mainly in equities, bonds, cash and instruments related to these and within the limits and restrictions prescribed by law and the prospectus;
 - each concerned UCITS may not trade in instruments outside the instruments allowed by law and the prospectus;
 - the portfolio of each UCITS is subject to low volatility with regard to its risk profile;
 - the national and cross-border nature of the business activities;
 - the additional management of AIFs.

ETHENEA intends to benefit from the application of the proportionality principle at its level and thus not to be required to implement the following listed elements:

- Setting up of a remuneration committee;
- Payment of at least 50% of the variable component in financial instruments, and subsequent retention policy;
- Deferral of at least 40% of the variable part of the remuneration;
- Ex-post risk adjustment for the variable remuneration.

Nevertheless, on a purely voluntary basis, and in order to ensure the best practice possible, ETHENEA has decided that, for one of the Identified Staff sub-groups (see under section 8.2 below), at least 50% of the variable remuneration will, subject to the legal structure of each concerned UCITS and their fund rules or instruments of incorporation, consist of units of the concerned UCITS managed by ETHENEA, with a minimum retention period of two years. If the variable remuneration is below 100% of the fixed remuneration, it can be paid out fully in cash.

8. Specific organisation of the Remuneration Systems

8.1 Identification of risk-relevant employees falling among the Identified Staff

The General Management of ETHENEA has identified the employees, falling within the Identified Staff definition, whose activities have a significant influence on the overall risk profile of ETHENEA (relevant decision-taking authority, access to systems, auditing activities, etc.). These shall hereinafter be referred to as “risk-relevant employees”.

8.2 Division into employee groups

In particular, the significant influence of certain Identified Staff over the the risk profile of ETHENEA and/or the concerned UCITS, has been assessed using the main criteria below (non-exhaustive list):

- the size of the obligations into which a risk taker may enter on behalf of ETHENEA and/or the concerned UCITS;
- the size of the group of persons, who have only collectively a material impact on the risk profile of ETHENEA and/or the concerned UCITS;
- the structure of the remuneration of the Identified Staff members, in particular, the following elements:
 - the amount of variable remuneration;
 - the percentage of variable remuneration over the fixed remuneration.

Accordingly, ETHENEA distinguishes the following Identified Staff sub-groups:

Risk group 1 (relevant decision-taking authority and access to the relevant systems (entry and viewing)): General Management, Portfolio Management

Risk group 2 (relevant decision-taking authority, controlling function and access to the relevant systems (viewing)): Risk & Data Management, Legal & Compliance, Finance & Controlling, IT

Risk group 1: variable remuneration may be up to 200 % of the fixed remuneration

Risk group 2: variable remuneration may be up to 100 % of the fixed remuneration

With respect to Risk group 1, at least 50 % of the variable remuneration will, subject to the legal structure of each concerned UCITS and their fund rules or instruments of incorporation, consist of units of the concerned UCITS managed by ETHENEA, with a minimum retention period of two years. If the variable remuneration is below 100% of the fixed remuneration, it can be paid out fully in cash.

8.3 Remuneration type for both employee groups

Subject to section 8.2 above, any annual bonus is paid by no later than June of the following year in the form of a special payment unless agreed otherwise in writing with the risk-relevant employee.

9. Remuneration Committee

In accordance with the application of the proportionality principle, ETHENEA has not implemented a Remuneration Committee.

10. Auditing approval and implementation of the Remuneration Systems

In order to enforce regulatory provisions, the General Management of ETHENEA will advise the Board of Directors of ETHENEA with regard to the reasonableness of the Remuneration Systems and their organisation and further development.

The annual bonuses proposed by the General Management of ETHENEA must be verified by the members of the Board of Directors of ETHENEA and approved by a resolution of the Board of Directors at least on an annual basis.

11. Internal and External Disclosure

The Remuneration Policy is available to all employees of ETHENEA and the Identified staff via access to a drive in the ETHENEA IT System. Identified Staff are notified of their status as such, and the implications of this status on their remuneration arrangements, by the human resources department of ETHENEA. ETHENEA ensures that the disclosure made internally reveals at least the details which are disclosed externally. Confidential quantitative aspects of the remuneration of staff members should not be subject to internal disclosure.

Moreover, the Remuneration Policy is disclosed to the public pursuant to applicable laws and regulations and the UCITS Directive, namely hard copies are made available to investors of the concerned UCITS upon request. A summary of the Remuneration Policy is provided in the prospectuses of the concerned UCITS and an extract thereof is available at [www.ethenea.com].

In all cases, ETHENEA will ensure that the disclosure is clear and easily understandable and accessible. Without prejudice to confidentiality and applicable data protection legislation, ETHENEA will provide detailed information regarding the Remuneration Policy and practises for risk takers, as further defined above.

The disclosure will be published on at least an annual basis and as soon as practicable after the information becomes available.

12. Remuneration Policy Controls

Compliance Department will observe abidance of the prescribed regulations and will keep records of the performed control and education.

13. Entry into Force

This policy entries into force in December 2017 after approval by the Board of Directors of Ethenea Independent Investors S.A.. It replaces all previous remuneration policies.

Approved by board resolution by the Board of Directors in December 2017