

Remuneration Policy



REMUNERATION POLICY

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1 BACKGROUND AND PREAMBLE

1.1 Purpose and Scope of Application

This Policy is applicable to any employee of AAML receiving total remuneration that takes them into the same remuneration bracket as the Identified Staff.

This Policy does not apply neither to Conducting Officers of AAML who are not employees of the latter, nor to employees of Service Providers when acting for or on behalf of AAML.

The objective of this Policy is to lay down the principles governing how the remuneration of AAML's employees shall be established, applied and monitored.

The business model implemented by AAML, both in its capacity as a Chapter 15 management company operating under the regime set out in the UCI Law and as an AIFM as per the AIFMD Law regime, is such that it typically delegates all or most portfolio management activities to third parties, while focusing on risk management activities as well as on its oversight function.

This Policy takes into account the principle of proportionality, "which allows procedures, mechanisms and organizational structure to be calibrated to the nature, scale and complexity of AAML's business and to the nature and range of activities carried out in the course of its business".

The overall philosophy of this Policy is to promote sound and effective risk management, as well as a long-term perspective, and to discourage excessive risk-taking by AAML's employees. In particular, consideration has been given to the business strategy, objectives, values and interests of AAML and the Funds it manages and those of the investors in such Funds, in accordance with the Conflicts of Interest Policy. The general principles and provisions set out by the Policy shall prevail over all existing principles and rules set by other documents.

This Remuneration Policy shall be approved by the Board of Directors and implemented by appropriate functions to promote effective corporate governance. This Policy becomes effective immediately after its approval. The Conducting Officers are responsible for the periodic review and implementation of this Policy and for preventing and dealing with any relevant risks that this Policy can create.

They shall also inform the relevant personnel of this Policy, and any change thereto. Those staff members shall be informed in advance of the criteria that will be used to determine their remuneration and of the appraisal process. This process and this Policy shall be properly documented and transparent to the individual staff members concerned.

1.2 Resort to the Proportionality Principle

In the framework of this Policy AAML resorts to the proportionality principle "among institutions".

This decision is motivated by the analysis of the EBA Guidelines 2015/22 Part 4 (articles 75 to 77) that will be updated on an annual basis, based on the review and analysis from the control functions. The results of the proportionality analyses will be reported to the Nomination and Remuneration Committee.

In this context of the EBA Guidelines on sound remuneration policies and the CSSF Circular 11/505, AL neutralizes the following requirements:

- Requirement to pay out a part of the variable remuneration in instruments and, de facto, the related instrument retention obligations;

- Requirement to pay out a part of the variable remuneration through a deferral scheme.

1.3 General principles

The Policy's overriding principles reflect Andbank Group's business strategy, objectives, values and interests.

They are based on the following pillars:

- **Sound and effective risk management**

The Policy and related practices aim to protect the long term interests of AAML, the AIFs and UCITs it manages and all AAML stakeholders. In this context, AAML has established, implemented and maintains a Policy which is consistent with and promotes sound and effective risk management and which does not encourage excessive risk-taking.

- **Avoidance of conflicts of interest**

The Policy incorporates measures to avoid conflicts of interest, as set out by the AAML's Conflicts of Interests Policy.

- **Competitive and attractive remuneration**

To ensure that the satisfaction and the protection of AAML's stakeholders remain at the heart of its philosophy, AAML wishes to attract, retain and motivate highly qualified professionals in their respective domains. With this in mind, AAML offers remuneration packages that, while in line with market practices, do remain competitive and attractive.

- **Alignment between performance and remuneration**

Variable remuneration methods, while being part of the standard compensation packages offered by AAML, are linked to effective performance and are subject to strict assessment rules that aim to prevent excessive risk-taking, the ultimate objective being to protect the long term interests of the different stakeholders. In this context, AAML does not reward failure.

2 RISK ANALYSIS AND DEFINITION OF THE IDENTIFIED STAFF

2.1 Approach

In order to establish its risk profile and, ultimately, to determine its Identified Staff (defined hereafter), AAML performed a review of its activities and analysed a certain number of elements related to the entity's size, internal organization, nature, scope and complexity of activities, etc.

This risk analysis has been carried out by AAML's Senior Management, with the support of the Internal Control Functions, in accordance with the regulatory requirements. This analysis has also been reviewed by the Nomination and Remuneration Committee

More precisely, the list of Identified Staff has been determined on the basis of the following:

- AAML's profile (structure, organization, activities)
- Risks related to AAML's activities and related safeguards

2.2 Definition of the Identified Staff

AAML has performed a detailed analysis in order to identify its members of staff whose professional activities have a material impact on its risk profile or on the risk profiles of the AIFs and UCITs it manages, referred to as the “Identified Staff”.

This analysis has been performed by the HR department, in collaboration with the Risk Management and the Compliance departments, with the oversight of Senior Management and the Nomination and Remuneration Committee.

More precisely, AAML has updated the list of Identified Staff that had previously been drawn up on the basis of the analysis of job functions and responsibilities as prescribed by the ESMA Guidelines.

List of Identified Staff:

- Executive and non-executive members of the Board of Directors of AAML;
- Senior Management/Conducting Officers;
- Internal Control Functions: heads of Risk Management, Compliance, Internal Audit;
- Heads of Asset Management;
- Other Risk-Takers 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 a material influence on the management company risk profile or on funds it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the management company or funds it manages. Such staff can include, for instance, sales persons, individual traders and specific trading desks;
- Other employee/persons who have a material impact on the risk profile of the management company or of the funds it manages and whose total remuneration takes them into the same remuneration bracket as Senior Managers and Risk-Takers.

This list of Identified Staff can be amended at any time and includes any other employee/person who is considered as having a material impact in the risk profile of AAML and the Funds; and/or having a total remuneration equal or superior to the one of the senior management and Risk-Takers.

2.3 Remuneration and Risk

The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the Fund concerned and of the overall results of AAML, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

AAML strives for Remuneration to be competitive and to comply with market standards, the applicable rules and regulations, and with AAML’s values.

In addition, Remuneration should be aligned with AAML’s business strategy goals and the long-term interests of its shareholders and clients (in particular the Funds which AAML manages and, by extension, the investors in these Funds).

Furthermore, AAML acknowledges that competitive Remuneration is an important component allowing it to attract, retain and motivate employees.

However, Remuneration, and in particular Variable Remuneration, may lead to excessive risk-taking; on the other hand, Variable Remuneration serves as an important incentive to facilitate the business strategy of

AAML, and to stimulate employees to make efforts to strengthen the long-term value of AAML for the benefit of its shareholders and clients.

Accordingly, in order to enable AAML to identify, measure, manage, and have control of the risks linked to Remuneration, the latter shall be structured in a manner that promotes a sound and effective risk management and counteracts excessive risk-taking by employees.

3 STRUCTURE OF REMUNERATION PACKAGES

AAML has structured its remuneration packages around a fixed component and a variable component

3.1 The Fixed Remuneration

AAML shall remunerate its employees primarily with a salary, i.e. a fixed amount of pay per month. This **fixed remuneration** which is determined on the basis of the role of the staff member, including level of responsibility, job complexity and local market conditions, includes the annual base salary and the fringe benefits:

- Annual base salary which is paid monthly in 13 instalments.
- Lunch vouchers;
- The pension scheme, insurance scheme and life insurance scheme based on the terms of the contracts established by AAML and signed with Insurance Companies.

These fixed remuneration components are normally granted to all AAML employees with a permanent contract. Employees with fixed-term contract do not receive other fringe benefits than meal vouchers

It is also to be noted that AAML may, at its own discretion, offer additional fringe benefits to some employees such as parking places, company cars, scholarship costs, representation allowances and accommodation costs.

3.2 The Variable Remuneration

Variable remuneration awards consider both a group component and an individual component. This seeks to reward the contribution of all employees to the financial results of AAML and the achievements in the implementation of its strategy. Not only is financial success taken into account in the process, but also the conduct towards staff members and clients as part of carrying out business activities.

Both financial and non-financial (quantitative and qualitative) factors shall be taken into consideration when determining the individual's variable remuneration, i.e. compliance with the Group's core values, internal guidelines and procedures, including customer and investor related guidelines. A discretionary assessment is always made to ensure that other factors – including factors which are not directly measurable – are considered.

The performance is assessed in context of divisional financial and non-financial (quantitative and qualitative) targets. The financial targets are subject to appropriate risk adjustment. For the infrastructure functions, the performance assessment is based on the achievement of cost and control targets. At the level of the individual, managers must fully appreciate both the absolute and relative risk-taking activities of individuals to ensure that variable remuneration allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, divisional risk-adjusted financial and non-financial performance, culture and behavioral considerations, disciplinary sanctions, and individual

performance. Managers of Material Risk Takers must document the factors and risk metrics considered when making Individual variable compensation decisions, and demonstrate how these factors influenced the Individual variable compensation decision.

Qualitative objectives. *Examples of qualitative criteria are the achievement of strategic targets, customer satisfaction, adherence to risk management policy, compliance with internal and external rules, leadership, team work, creativity, motivation and cooperation with other business units, internal control and corporate functions, achievement of results, compliance with strategy within the risk appetite and compliance track record).* Source:

Quantitative objectives. *Examples of performance criteria are economic profit, internal economic risk capital, net economic contribution, risk-adjusted return on capital (RAROC), financial figures which relate to the budget of functions (e.g. such as legal and human resources).*

There shall be an appropriate balance between Fixed and Variable Remuneration

Specifically, Variable Remuneration for Identified Staff shall be based both on the individual performance of the employee and of AAML. Both financial and non-financial criteria (such as achievement of strategic targets, internal and external audit results, adherence to the risk management policy, compliance with internal and external rules, cooperation with other business units and with control functions, etc.) shall be considered when assessing the employee's performance. The financial and non-financial criteria on which the Variable Remuneration is based on shall be specified and documented for each employee of the Identified Staff.

Assessment of the results of AAML shall be conducted using a multi-year perspective in order to ensure that the assessment process is based on longer term performance.

AAML shall ensure that the employees of the Internal Control Functions are independent from the business units they supervise and have appropriate powers and resources to monitor and control the risks associated with AAML's remuneration system. Any Variable Remuneration paid to employees responsible of the Internal Control Functions shall be based on goals linked to their position, which shall be independent from the result in the controlled business areas.

For confidentiality reasons, the employees will only receive information relating to his/her own remuneration.

The Human Resources function directs the entire remuneration process, engaging with the governing bodies, control functions and other teams responsible for verifying the AAML's earnings and financial data.

The Compliance and Risk Management departments carry out an annual assessment of the remuneration policy and its compliance with the regulatory framework. Both control functions ascertain whether the incentives provided by the remuneration system take adequate account of AAML's risks, capital and liquidity situation, liaising with the Nominations and Remunerations Committee as appropriate. Both functions review the identification of Identified Staff and the metrics adopted, and will be involved in the review and updates of the remuneration systems and policy to ensure these are in line with the regulations in force. Compliance and Risk Management, in consultation with other departments as appropriate, will check whether or not any compliance breaches have been committed and supply such information to the relevant line manager and to the human resources functions so as to support the annual performance assessment and the decision on the variable remuneration component.

3.3 The Variable Remuneration Principles

As mentioned earlier, the variable remuneration is determined on the basis of a combination of the assessment of the performance of the individual and of the business unit or AIF/UCIT concerned and of the overall results of the management company through both financial and non-financial criteria, enabling the alignment of the employees' interests with the management company and the AIFs/UCITs it manages.

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component, in accordance with Article 38-6 f) of the Luxembourg Law of 23 July 2015 transposing CRD IV (Directive 2013/36/UE)

3.3.1 Guaranteed Variable Remuneration

By principle, AAML shall not offer guaranteed Variable Remuneration.

Deviations from this principle may only be made if such Variable Remuneration is paid to an employee in connection with a new employment. These "Welcome bonuses" may be granted in the context of recruiting of new employees on an exceptional basis only and can be offered only during the first year of employment within AAML (i.e. sign-on bonus to cover Variable Remuneration generated at a previous employer which is not paid out by such employer).

3.3.2 Specific Pay-Out Provisions

AAML has to maintain a sound financial situation and has to take into consideration any negative financial result and performance of AAML and/or the Funds.

- **Malus clause**

Variable remuneration is awarded to Identified Staff based on their performance and on the premise that he/she has been fully compliant with the regulatory framework and internal procedures of AAML.

In the event of inappropriate behaviour of the employee, such as harassment or failure to comply with the Code of Ethics and Standards of Conduct of AAML or in any case a clear misalignment with the values of the group, the Nomination and Remuneration Committee may consider a partial or total reduction of the bonus paid to the employee. Malus event must be defined as fraud, lack of capital, regulatory issues or liquidity or solvency breaches.

In case AAML needs to strengthen its financial situation, the Board of Directors can exceptionally decide to reduce or eliminate the Variable Remuneration to employees as appropriate.

Given the nature of AAML's business, applied pay-out structures, the period for applying malus is set in three years.

- **Clawback**

In certain circumstances as follows, AAML's Board of Directors can decide that an employee will pay back the Variable remuneration he/she received:

- In case of established fraud or misleading information;

- Misbehaviour or serious error, such as breach of AAML's policies.

Given the nature of AAML's business, applied pay-out structures, the period for applying malus is set in three years.

- **Severance payments**

Severance payments must reflect performance achieved over time and must not reward failure or misconduct. Severance pay will not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract or the dismissal of the employee, or when there is a voluntary resignation.

Severance payments will be paid in the event the management of AAML considers that the risk of losing potential court proceedings is high and will not offer severance payments that enter in conflict with the Luxembourgish Labour Law.

Severance payments for the identified staff are payable in accordance with relevant local legislation and applicable collective agreements. The overall policy and agreements on severance pay are determined by HR and relevant control functions. Severance pay will constitute an appropriate compensation for early termination by the Group, will be decided upon consideration of the individual's responsibility and decision making powers and it will be taken into account that it must not constitute a reward for failure. Normally, severance pay is linked to seniority, as employees will earn entitlement to severance pay throughout their years of service. Most employees are solely entitled to severance pay pursuant to legislation or the applicable Collective Bargaining Agreement. The amount of severance payments will be calculated taking into account Arts. 151 and 153 of EBA Guidelines.

Severance payments for the identified staff will be authorized by the Board of Directors upon assessment of the Nomination and Remuneration Committee.

For severance payments granted, documentary evidence will be retained on the reasons for the severance payment, the criteria used to determine the amount and confirmation that the severance is linked to the performance achieved over time and that it does not reward failure or misconduct.

3.3.3 Other Terms and conditions relating to Variable Remuneration

In the event an employee gives or receives notice of termination of his or her employment with AAML, regardless of the reason hereof, before any Variable Remuneration has been paid out, the employee is not entitled to Variable Remuneration, even if the amount of Variable Remuneration for the preceding year and which is to be paid out to the employee, has been determined and communicated to the employee, prior to notice of termination. This shall apply also during the employee's period of notice.

AAML shall not make payments of discretionary pension benefits or gratuities. A pension scheme is implemented by AAML and is in line with the business strategy, objectives, values and long-term interests of AAML and the Funds it manages.

Employees cannot receive any professional or personal compensation for the partial or total loss of their variable remuneration, neither from any personal risk hedging strategies nor from any insurance scheme.

At least a declaration of self-commitment by the identified staff member that he or she will refrain from concluding personal hedging strategies or insurance for the purpose of undermining the risk alignment effects is necessary. Human resources should perform at least spot-check inspections of the compliance with this declaration with regard to the internal custodianship accounts.

3.4 Balance between Fixed and Variable Remuneration

Remuneration that is comprised of both Fixed and Variable Remuneration shall be appropriately balanced. Fixed Remuneration shall represent a large enough portion to be able to, if necessary, set any or all Variable Remuneration to zero.

Regarding the proportion of the variable remuneration, the following limits apply to AAML's Identified Staff:

	Maximum Variable remuneration in % of <u>the annual fixed remuneration</u>
Internal Control Functions	10%

4 PERFORMANCE ASSESSMENT

AAML assesses the performance of all of its employees once a year, but from a long term perspective and taking into account outstanding risks associated with performance. This yearly performance assessment makes it possible to, on the one hand, define and follow up on the development plan and career path of every staff member and, on the other hand, determine the evolution of both fixed and variable components of remuneration.

From a general standpoint, the performance assessment is based on a combination of the assessment of the performance of the individual and of the business unit or AIF/UCIT concerned and of the overall results of the management company using both financial and non-financial criteria (quantitative and qualitative), enabling the alignment of the employees' interests with the management company and the AIFs/UCITs it manages.

4.1 Company performance criteria

Variable remuneration will be based primarily on an assessment of AAML overall results (i.e. elaboration of the financial statements of the entity based on the group's financial statements) along with several other important indicators.

At the Company level, the management will consider more quantitative performance measures to ensure that at a basic level there are sufficient funds to allocate bonuses.

Company/Group Assessment Criteria could comprise:

- Profit before tax compared with the budget
- Cost trend (i.e. maintenance of cost control and operational efficiencies)
- Performance against the business plan and achievement of strategic objectives
- Compliance with internal business procedures
- Satisfactory audits and reports from regulators

The Board of Directors will determine variable remuneration of the identified based on a review of the elements listed above, as well as a review of the external economic and market environment.

The control functions will be involved in the process to ensure that risk, capital and liquidity limits are not exceeded with regards to the level of bonuses.

4.2 Department performance criteria

AAML will also assess the milestones achieved of the objectives related to each department, which shall be defined by avoiding inappropriate incentives;

4.3 Individual performance criteria

At the beginning of the year, all individuals will agree on the performance criteria and objectives with their line managers for the year. The objectives must reflect the business strategy and risk profile of AAML.

The assessment of the individual Identified Staff performance shall be effected over a multi-year framework in order to ensure that the assessment is made in view of the long term performance of the individual and that the payment is made over the business cycle of the undertaking.

Where it is appropriate, poor performance in the non-financial variables overrides good performance in terms of profit generation, i.e in the case of unethical or non-compliant behaviour, the individual performance will be impacted and the variable remuneration will not be allocated (i.e Specific pay out provisions - Malus clause – ex post risk adjustment mechanism).

5 GOVERNANCE

5.1 Board of Directors

The Board of Directors is responsible for the design of the Policy principles and for the monitoring of the Policy's implementation, maintenance and review.

The Board of Directors also ensures to take into account all the adequate inputs provided by all competent control functions (i.e. risk management, compliance, HR, etc.). The Board of Directors shall follow what the shareholders meeting has resolved in reference to Remuneration. In the preparation, the Board of Directors shall take into account the long-term interest of shareholders, investors and other interested parties.

In addition, the Board of Directors is assisted in its tasks by the Nomination & Remuneration Committee, set up as a specialized Committee of the Board.

Finally, the Board of Directors ensures that the implementation of the Policy is reviewed on an annual basis at a minimum. Such central and independent reviews undertaken by Internal Control Functions will assess whether the remuneration system (i) operates as intended and (ii) is compliant with the regulatory requirements. The independent internal audit review will be conducted by Internal Audit or an external audit firm.

5.2 Nomination & Remuneration Committee

The role of the Nomination & Remuneration & Committee, is to assist and advise the Board in all analyses and decisions related to nomination and remuneration.

The Nomination and Remuneration Committee is constituted in a way that enables it to exercise competent and independent judgment on the remuneration policies and practices and the incentives created for managing risks.

Thus, in accordance with the provisions defined under the Annex II of the AIFM Law and under UCITS Law, the Nomination and Remuneration Committee is composed of members of group members who do not perform any executive functions in AAML to ensure a consistent approach within the Group.

5.3 Executive Management

Notwithstanding the fact that the overall responsibility for the Policy remains in the hands of the Board of Directors, it is important to note the active role of the executive management which ensures the operational implementation of the Policy and takes appropriate measures to ensure that it is applied properly.

The executive management will ensure that staff members will be required to undertake not to enter into personal hedging of liability related insurance arrangements whose aim is to undermine the risk alignment effects of the Remuneration Policy.

5.4 Internal Control Functions

As mentioned earlier, Internal Control Functions (Risk Management, Compliance and Internal Audit) are closely involved in the design, draft, update and follow up of the Policy.

Risk and Compliance functions should provide effective input in accordance with their roles into the setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on staff behavior and the riskiness of the business undertaken.

The risk management function should assist in and inform on the definition of suitable risk-adjusted performance measures (including ex post adjustments), as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution. The risk management function should validate and assess risk adjustment data as well as be invited to attend the meetings of the remuneration committee on this matter.

Human Resources will be responsible upon request of providing to the other control functions accurate data in order to ensure the correct implementation of this policy.

The Compliance Officer shall review on a regular basis the Policy and whenever a material change occurs that affects it, will do the relevant amendments.

In the event the Compliance Officer finds that Remuneration applied in AAML deviates from the Policy, this shall immediately be reported to AAML's Board of Directors.