

## LUXAM-POL-010 - Remuneration Policy

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# REMUNERATION POLICY

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## 1 DEFINITION

**Supervisory Function:** the supervisory function should be understood to be the members of the AAML Board of Directors (the “Board” or the “Supervisory Function”).

**Management Body:** the management body consists of AAML conducting officers.

**Instruments:** instruments units or shares of the UCITS managed by the management company, equivalent ownership interests (including – for UCITS issuing only units – unit-linked instruments), subject to the legal structure of the UCITS concerned and its fund rules or instruments of incorporation, or share-linked instruments or equivalent non-cash instruments with equally effective incentives as any of the instruments referred to in this definition.

**Funds:** investment funds managed by AAML.

**Remuneration Committee:** consists of the Nomination and Remuneration Committee established at the level of Andbank group.

**Control Functions:** in accordance with CSSF Regulation 10-4 and Delegated Regulation (EU) 231/2013, refers to Compliance, Risk Management and Internal Audit of AAML.

**Remuneration:** refers to either Fixed or Variable Remuneration (see below); it may include monetary payments or benefits (such as cash, shares, options, loans to staff members, pension contributions, remuneration by the Funds (through performance fees, transfer of units, or any payment for the benefit of an employee for professional services rendered) or non (directly) monetary benefits (such as discounts, fringe benefits or special allowances for car, mobile phone, etc.), as per the definition of Article 11 of the ESMA Guidelines.

**Fixed Remuneration:** refers to payments or benefits without consideration of any performance criteria, as per the definition of Article 11 of the ESMA Guidelines.

**Variable Remuneration:** Refers to additional payments or benefits depending on performance, or in certain cases, other contractual criteria, as per the definition of Article 11 of the ESMA Guidelines.

**Risk:** refers to risks relating to AAML’s business and the Funds.

**Risk-Takers:** refers to an employee that when performing his/her job assignments can have a material impact on the risks of AAML and a Fund.

**Remuneration Rules:** refers to all the rules set out in the laws and regulations mentioned in the section named Legal Framework.

## 2 BACKGROUND

### 2.1 Company overview

Andbank Asset Management Luxembourg S.A. (“**AAML**” or the “**IFM**”) is a public limited company governed by the laws of the Grand-Duchy of Luxembourg.

For the conduct of its business activities, AAML is authorized by the Commission de Surveillance du Secteur Financier (the “CSSF”) to provide services of:

- management company subject to Chapter 15 of the December 17<sup>th</sup>, 2010 Law on undertakings for collective investment (the “**2010 Law**”);
- alternative investment fund manager as per the provisions of the July 12<sup>th</sup>, 2013 Law on alternative investment fund managers (the “**2013 Law**”);
- discretionary management and non-core services referred to in Article 101(3)(a) of the 2010 Law and Article 5(4) of the 2013 Law.

Andbank Group’s control framework must comply with the specific regulatory requirements of each jurisdiction. In this respect, AAML shall comply with the Commission de Surveillance du Secteur Financier (“CSSF”) rules, which require IFMs to have a robust central administration and internal governance in Luxembourg.

AAML is currently organized with an internal governance structure based on the “three-lines-of-defense” model.

- The first line of defense consists of the business units within AAML’s organization that take or acquire risks under a predefined policy and limits and carry out controls;
- The second line consists of (i) the functions of Risk management and Compliance which contribute to the independent risk control (including sustainability risks), as well as of (ii) the support functions, including the IT function and accounting function;
- The third line consists of the internal audit function which provides an independent, objective and critical review of the first two lines of defense.

## 2.2 Legal Framework

The Policy is designed with a view to comply with the requirements set out in the following laws and regulations (together the “Remuneration Rules”):

- Circular CSSF 10/437 related to the guidelines concerning the remuneration policies in the financial sector (the “CSSF Circular 10/437”);
- CSSF Regulation N° 10-4 of December 20<sup>th</sup>, 2010, as amended by CSSF Regulation N° 22-05, transposing Commission Directive 2010/43/EU of July 1<sup>st</sup>, 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council, as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a Depository and a Management Company (the “CSSF Regulation N° 10-4”);
- CSSF Circular 18/698, regarding specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (the “CSSF Circular 18/698”);
- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the “AIFMD”), transposed into the July 12<sup>th</sup>, 2013 Law;
- European Commission Delegated Regulation (EU) N° 231/2013 of December 19<sup>th</sup>, 2012, supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the “Delegated Regulation”);
- European Securities and Markets Authority’s Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (“the ESMA Guidelines”);
- MiFID II Directive 2014/65/EU on Markets in Financial Instruments (MiFID II Regulations);
- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), transposed into the Law of 17 December 2010 on UCIs;
- **CSSF 23/841**– on the application of the Guidelines of the European Securities and Markets Authority (“ESMA”) on certain aspects of the MiFID II remuneration requirementsThe Treaty on the Functioning of the European Union (TFEU) regarding the gender neutrality.
- **Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector**

## 2.3 Purpose and Scope of Application

The purpose of this policy (the “Remuneration Policy”) is to ensure compliance of AAML with the remuneration principles applicable to an IFM and to define and describes the remuneration principles and practices set out by AAML.

The general principles and provisions set out by the Remuneration Policy shall prevail on all existing principles and rules set by other documents and apply to all employees of AAML. The general principles and provisions set out by the Policy shall prevail on all existing principles and rules set by other documents and apply to all employees of AAML.

The Remuneration 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 the Remuneration 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 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.

The Remuneration Committee together with Internal Audit and Compliance function will control the Remuneration Policy.

### **Review of the Remuneration Policy and its implementation**

The Supervisory Function should ensure that the Remuneration Policy of the management company and its implementation will be reviewed on an annual basis at a minimum.

The relevant internal Control Functions (i.e. internal audit, risk management, compliance functions, etc.) as well as other key Supervisory Function committees (i.e. audit, risk, and compliance committees) should be closely involved in reviewing AAML remuneration system.

In all cases, the Supervisory Function should remain responsible for the review of remuneration policies and practices and for ensuring that the results of the review are followed up; moreover, the Control Functions should be closely involved.

## **2.4 General principles**

In taking measures to comply with the remuneration principles, AAML developed a framework of remuneration that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

The general principles are based on the following pillars:

- **Sound and effective risk management**

The Remuneration Policy and related practices aim to protect the long term interests of AAML, the Funds and their investors and all AAML stakeholders. In this context, the Remuneration Policy AAML is consistent with the Remuneration rules and promotes sound and effective risk management and which does not encourage excessive risk-taking (including sustainability risks).

- **Avoidance of conflicts of interest**

The Remuneration Policy incorporates measures to avoid conflicts of interest, as set out by the AAML's Conflicts of Interests Policy. AAML's employees who are identified as risk-takers are not remunerated based on the performance of the funds under management.

- **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.

- **Proportionality**

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

This decision is motivated by the analysis of the ESMA Guidelines 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 and to the Board of Directors.

In this context of the ESMA Guidelines on sound remuneration policies, AAML 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.

As a consequence, malus arrangements do not apply.



## 2.5 Delegation of the investment management functions

As a general principles, with regard to AIFs and UCITs, the portfolios of which are managed by third parties, and to whom AAML has delegated such activities, AAML will verify that the principles set out in Annex II of the July 12<sup>th</sup>, 2013 Law (AIFs) and in Articles 111bis and 111ter of Law of 17 December 2010 (UCITS) laws be adhered to by the said third parties.

As a consequence, when delegating investment management functions (including risk management) AAML should 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.

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

Legal is responsible to verify that the contracts entered into between AAML for the delegation of the investment management function are compliant with the points 16 and 17 of the ESMA Guidelines on Remuneration. When the UCIs are marketed in the European Union, Business Implementation and Legal ensure that the arrangements for the remuneration of marketing intermediaries including, where appropriate, benefits are compliant with the MiFID II Regulation.

In particular, during the due diligence process on investment managers, Business Implementation shall ensure that the delegate falls under the scope of the amended Law of 17 December 2010 and the Law of 12 July 2013. If not, Legal team shall ensure that there are contractual arrangements in place with the delegate in order to ensure that there is no circumvention of the remuneration rules. This verification of the remuneration rules is mentioned in the Client Acceptance Committee.

## 3 GOVERNANCE

### 3.1 Supervisory Function

The Board of Directors of AAML (the “**Board**”) (the “**Supervisory Function**”) is responsible for:

- approving and maintaining the Remuneration Policy, and overseeing its implementation;
- approving any subsequent material exemptions or changes to the Remuneration Policy and carefully consider and monitor their effects;
- taking into account the inputs provided by all competent corporate functions (i.e. risk management, compliance, human resources, etc.) when design and overseeing the Remuneration Policy;
- ensuring that the Remuneration Policy Is consistent with and promotes sound and effective risk management
- ensuring that AAML overall corporate governance principles and structures, as well as their interactions with the remuneration system are considered within the design and implementation of the remuneration policies and practices;
- ensuring that the following elements are taken into account: the clear distinction between operating and the Control Functions, the skills and independence requirements of members of the management body, the role performed by internal committees, including the remuneration committee, the safeguards for preventing conflicts of interests and the internal reporting system and the related parties’ transactions rules.

The Supervisory Function will approve any subsequent material exemptions or changes to the Remuneration Policy and carefully consider and monitor their effects, and will review the Remuneration Policy at least annually.

The Supervisory Function should determine and oversee the remuneration of the senior management and specifically approve and oversee the remuneration of senior executives and staff members who receive the highest amounts of total remuneration within AAML.

The Supervisory Function should ensure that the following elements are taken into account: the clear distinction between operating and the Control Functions, the skills and independence requirements of members of the management body, the role performed by internal committees, including the remuneration committee, the safeguards for preventing conflicts of interests and the internal reporting system and the related parties’ transactions rules.

## 3.2 Remuneration Committee

### Roles

The main roles of the Nomination & Remuneration Committee, as a specialized committee of the Board, consist of:

- assisting and advising the Board in all analyses and decisions related to nomination and remuneration;
- providing its support and advice to the Board on the design of the management company's overall remuneration policy;
- overseeing the central and independent review of the implementation of the remuneration policies and practices;
- Assessing and appointing new Board members, Authorised Managers or Head of Control Functions and approving their fixed and variable remuneration;
- Reviewing the list of Identified Staff;

The others responsibilities of this Committee are described in the ESMA Guidelines 2016-575, point 11.2.3.

### Composition

The Nomination & 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.

The Nomination & Remuneration Committee will be formed by at least two members (excluded Management Body). The secretary of the Nomination & Remuneration committee will be the Head of the Human Resources Department. The Remuneration Committee is held on demand.

## 3.3 Management Body

The Management Body has the primary responsibility for ensuring that the ultimate goal of having sound and prudent remuneration policies and structures is not improperly circumvented.

In particular, the Management Body shall be involved in all the below situations:

- the conversion of parts of the variable remuneration into benefits that normally pose no incentive effect in respect of risk positions;
- the outsourcing of professional services to firms that fall outside the scope of the UCITS Directive (unless these firms are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines);
- the use of tied agents or other persons not considered "employees" from a legal point of view;
- transactions between AAML and third parties in which the risk takers have material interests;

- the setting up of structures or methods through which remuneration is paid in the form of dividends or similar pay outs and non-monetary material benefits awarded as incentive mechanisms linked to the performance.
- dividends or similar distributions that partners receive as owners of AAML when the material outcome of the payment of such dividends results may be seen as a circumvention of the Remuneration Rules

When they are aware of any of the above situations, Legal, Compliance and Human Resources shall report to the Management Body for approval and implementation of appropriate measures.

### **3.3.1 Remuneration of members of the management body and supervisory function**

The remuneration of the members of the management body should be consistent with their powers, tasks, expertise and responsibilities.

The remuneration of the Management Body shall be determined and overseen by the Supervisory Function. The Supervisory function is only compensated with fixed remuneration.

If instruments are granted to members of the Management Body and/or Supervisory Body, appropriate measures should be taken, such as retention periods until the end of the mandate, in order to preserve the independence of judgment of those members.

### **3.4 Control Functions**

The Control Functions shall (i) have an active role in the design, ongoing oversight and review of the remuneration policies for other business areas and (ii) work closely with the remuneration committee and the Supervisory Function and Management Body, (iii) assist in determining the overall remuneration strategy applicable to AAML, having regard to the promotion of effective risk management. To that aim, the Control Functions participate to the discussions with the Human Resources, Management Body and/or the Supervisory Body when the discussions are in scope of the Remuneration Policy and of the Remuneration Rules.

In addition, the risk management function should assess how the variable remuneration structure affects the risk profile of AAML.

The compliance function shall analyse how the remuneration structure affects the management company's compliance with legislation, regulations and internal policies.

The internal audit function shall periodically carry out an independent audit of the design, implementation and effects of the management company's remuneration policies.

As a matter of good practice, the risk management function and the compliance function attend to a meeting of the Remuneration Committee for the purpose of reporting the results of their assessments related to the adherence of AAML to the Remuneration Rules.

#### **3.4.1 Remuneration of Control Functions**

The remuneration structure of the Control Functions shall not compromise their independence or create conflicts of interest in their advisory role to the Remuneration committee, Supervisory Function and/or Management Body. As a consequence, the variable remuneration granted to Control Function is based on function specific objectives and should not be determined solely by AAML performance criteria.

The remuneration (fixed and variable) of the senior staff responsible for heading the Control Functions is overseen by the Supervisory Function, the Management Body and the Remuneration Committee provided that their remuneration should not be solely left to the Supervisory Function.

Control functions should not be placed in a position where approving a transaction, making decisions or giving advice on risk and financial control matters could be directly linked to an increase or decrease in their performance-based remuneration.

## 4 IDENTIFIED STAFF

### 4.1 Definition

As per the ESMA Guidelines, identified staff means categories of staff, including senior management, risk takers, the Control Functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on AAML risk profile or the risk profiles of the UCITS/AIF that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by AAML, whose professional activities have a material impact on the risk profiles of the UCITS/AIF that AAML manages ( the "Identified Staff").

### 4.2 Assessment and Materiality

In order to establish its risk profile and, ultimately, to determine its Identified Staff, performs 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 Funds. This analysis is performed by

AAML is required by ESMA Guidelines to conduct an assessment of staff members, whose activities could potentially have a significant impact on AAML's results and/or balance sheet and/or on the performance of the Funds. The aim is to ensure that the correct staff members are captured in the scope of the Remuneration Policy.

For this purpose, AAML defined criteria of materiality:

- The employee can take decisions that could have an economic impact above 5% of AAML own funds and/or the Funds/ AAML business activity;
- The employee can negotiate agreements in terms of fees and services which an economic impact above 5% of AAML own funds and/or the Fund/ AAML business activity;
- The employee can take decisions in terms of hiring or firing the employees;
- The employee can propose or accept new client relationship with an economic impact above 5% own funds and/or the Funds/ AAML business activity;
- The Head of Asset Management is considered a risk taker with material impact;
- The employee whose total remuneration falls into the remuneration bracket of senior managers and who have a material impact on the risk profile of AAML, the Funds or AAML business activity.

There could be cases where a staff member does not earn a high amount of total remuneration but could have a material impact on the risk profile of AAML, the Funds and AAML business activity given the individual's particular job function or responsibilities.

Human Resources, in collaboration with the Risk Management and the Compliance departments, with the oversight of Management Body and the Remuneration Committee performs on regular basis an analysis of job functions and responsibilities at AAML including a proper assessment of the roles that could materially affect the risk profile of AAML, the Funds or AAML business activity.

Based on this assessment, if they have a material impact on the risk profile of AAML, the Funds or AAML business activity, other employees, whose total remuneration falls into the remuneration bracket of senior managers and risk takers should be included as the identified staff. The list of Identified Staff can be amended at any time.

The assessment is done at least once a year regarding the quantitative criteria, by comparing the total annual remuneration of the preceding year. For the qualitative criteria, the assessment is done quarterly if any new employee or current employee meets the qualitative criteria.

When a new joiner is considered as Identified Staff, (s)he will sign the Remuneration Policy in place to confirm that (s)he is informed about all the requirements related to this status (remuneration, assessment, objectives setting...).

The new Identified Staff employee will sign a document refraining from concluding personal hedging strategies or insurances for the purpose of undermining the risk alignment.

## **5 STRUCTURE OF REMUNERATION PACKAGES**

### **5.1 Remuneration and risks (Including Sustainability risks)**

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 considered.

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.

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

Finally, in accordance with the Sustainable Finance Disclosure Regulation EU 2019/2088 (SFDR), AAML regularly assesses its Remuneration Policy to be in line with its policy on the integration of sustainability risks in investment decisions outlined in its Sustainability Risk Policy.

AAML disciplined pay-for-performance framework focuses on Total Compensation – base salary and incentive pay - so that pay is commensurate with the overall performance of AAML, respective businesses and individual performance. This includes a balanced discretionary approach to assess the employee's performance throughout the year against four broad dimensions - business results, client/customer/stakeholder, teamwork and leadership, and risk, controls and conduct. These performance dimensions appropriately consider short, medium and long-term priorities that drive sustained shareholder value, while accounting for risk, controls, and conduct objectives. To promote a proper pay-for-performance alignment, AAML does not assign relative weightings to these dimensions and also considers other relevant factors, including market practices. When conducting this balanced assessment of performance, for select employees in the Portfolio Management population, regard is given to the performance of relevant funds / strategies. Each Portfolio Manager's performance is evaluated annually based on a number of factors, including, but not limited to:

- The primary consideration which is blended investment performance relative to the competitive indices or peers, with investment performance generally weighted more to the long term;
- individual contribution relative to the client's risk and return objectives; and
- adherence with AAML's compliance, risk, regulatory and client fiduciary responsibilities including adherence to the sustainability risk policies

An individual performance assessment using the criteria above, in addition to the overall performance of the relevant business unit and investment team is integrated into the final assessment for an individual Portfolio Manager as part of the assessment of Business Results.

## **5.2 The Fixed Remuneration**

The fixed remuneration, which includes the annual base salary and the fringe benefits, is determined on the basis of the group (A to D) in which the function of the employees is included (for employees under Collective Bargaining agreement).

A file including all the functions existing in the IFM is used to determine in which group the function is included and to set the minimum salary of the employee. This job classification is based on the same criteria for men, women and staff of diverse genders:

- The knowledge (the academic background, the relevant professional experience as well as the technical capabilities, including the linguistic competences);
- The complexity of the function;
- The impact of the function;
- The human relations implied by the function;
- The team management, coordination and expertise (the hierarchical level of staff and if staff have managerial responsibilities)

Additional criteria can be taken into account to determine the remuneration, such as local market conditions.  
Remuneration Policy



- The fixed remuneration package is composed as follows:
  - Annual base salary is paid monthly in 13 instalments to all employees (can be paid in 12 instalments for employees out of the Collective Bargaining Agreement, after approval of Authorised Management).
  - Other elements such as fidelity premium for employees under Collective Bargaining Agreement.
  - Fringe benefits depending on the status of the employees:
    - Employees under a fixed-term contract will only have lunch vouchers.
    - Employees under a permanent contract will have the following fringe benefits:
      - Lunch vouchers;
      - Pension scheme in the terms of the contract signed on 1 January 2010 and its addendums with “Axa Assurances Vie Luxembourg”; This pension scheme is aligned with the financial strategy, values of the IFM and the long term interests of the Entity.
      - Complementary health insurance established by the IFM based on the terms of the contract signed on 9 November 2012 with “DKV Luxembourg”;
      - Life and accidents insurance.
      -

It is also to be noted that the IFM may offer additional fringe benefits to some employees depending on their category:

- Senior Management and Heads of Departments may be offered a company car;
- Some employees falling under the conditions of the inbound regime (LIR 115 no13b) can benefit from tax exemptions (housing allowance, impatriation premium, scholarship costs).
- Employees may be offered a parking place. Parking places will be offered in accordance with the Internal Rules Policy in place from time to time. AAML keeps the right to cancel the offered parking spot.

### **5.3 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.

There shall be an appropriate balance between Fixed and Variable Remuneration as determined in Section 5.9.

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, the Control Functions and other teams responsible for verifying the AAML's earnings and financial data.

#### **5.4 The Variable Remuneration Principles**

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. Furthermore, the variable remuneration depends on the achievement of specific objectives assigned to the employees. In identifying such objectives, the Management Company does not encourage excessive risk-taking with respect to sustainability risks.

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.

#### **5.5 The ex-ante risk adjustment in the award process**

According to the ESMA Guidelines (ESMA/2016/575), AAML determines the variable remuneration to be awarded based on an assessment of performance and risks taken. The adjustment for risks before the award is made ('ex ante risk adjustment') is based on risk indicators determined by the Risk Department (appendix 3) and ensure that the variable remuneration awarded is fully aligned with the risks taken.

Adjustments are considered when a breach on the risk appetite framework is produced due to decisions of a risk taker individually or as a member of a committee.

Adjustments have an individual component of each identified staff (i.e., correction to the authorized management is not accumulative for areas under their responsibility).

## **5.6 Considerations for specific categories of employee**

### Non-Executive Directors

No variable remuneration is granted to Non-Executive directors for the exercise of their mandate. The fixed remuneration granted to Non-Executive Directors is decided by the Board and the Ordinary General Meeting of AAML.

The fixed and variable remuneration of the Identified Staff is put forward by the Remuneration Committee and approved by the Supervisory Function.

### Executive and Senior Management

Executive and Senior Management have both fixed and variable remuneration, based on their role in the organization and their performance. The fixed and variable remuneration granted to Executive and Senior Management is put forward by the Nomination and Remuneration Committee and approved by the Supervisory Function.

### Other Risk-Takers:

The variable remuneration granted to the Identified Staff is subject to the criteria and restrictions set out in the Remuneration Policy. The variable remuneration granted to other Risk-Takers is put forward by the Nomination and Remuneration Committee and approved by the Supervisory Function.

## **5.7 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 or in other exceptional situations. The “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).

## **5.8 Specific Pay-Out Provisions**

The fact that a management company is or risks becoming unable to maintain a sound financial situation, should be a trigger for, inter alia:

- **Clawback**

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 certain circumstances as follows, the Board can decide that an employee will pay back the Variable remuneration (s)he received:

- in case of established fraud or misleading information;
- misbehaviour or serious error, such as breach of AAML's policies;
- severe or material re-opened internal audits points;
- regulatory sanctions where the conduct of the employee contributed to the sanction;
- severe operational errors;
- breach with employment contract terms, internal rules and telework Policy.

Given the nature of AAML's business, applied pay-out structures, the period for applying clawback is set in (3) three years.

The HR Department, in collaboration with Risk Management, Compliance and Internal Audit, will proceed to an annual assessment regarding clawback that would be presented to the CNR and BoD.

- **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 probable 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 Management, HR and relevant the 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 Section 12.3 of ESMA Guidelines.

Severance payments for the identified staff will be authorized by the Supervisory Function 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.

## **5.9 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 the Variable Remuneration Calculation period has finished (usually year-end), the employee is not entitled to Variable Remuneration..

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.

#### **5.10 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 the annual fixed remuneration
Non-Executive Board Members	0%
Senior Management/Conducting Officers	100%
Internal Control Functions	100%
Other Identified Staff	100%

## **6 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 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.

## **6.1 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.

Quantitative performance measures will be taken into account in order to ensure that at a basic level there are sufficient funds to allocate bonuses.

Assessment criteria for the allocation of bonus 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 Control Function will be involved in the process to ensure that risk, capital and liquidity limits are not exceeded with regards to the level of bonuses.

### **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;

### **Individual performance criteria**

During the first quarter 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).

All the aspects related to the evaluation of the employees of AAML are detailed in the Evaluation Guide and the Evaluation Form attached in Appendix to the Remuneration Policy. This Evaluation Guide and Evaluation Form will be available to all the employees through the intranet of the Entity.

Please see LUXAM-PRO-1070 Evaluation Guide

## **7 DISCLOSURE**

As required by the point 14.1 of the ESMA Guidelines, the detailed information regarding the remuneration policies and practices for members of staff whose professional activities have a material impact on the risk profile of the UCITS the management company manages must be disclosed. This disclosure should be



published on at least an annual basis and as soon as practicable after the information becomes available. This Remuneration Policy includes this information and will be published every year on the website of AAML as through an independent remuneration policy statement.

### **7.1 In the Annual Report**

An account of all Remunerations paid by AAML to employees shall at the latest be disclosed in connection with the publication of the Annual Report. The Report shall indicate the way in which the Remuneration Policy is structured and applied.

- This Report shall also include: the total remuneration of the entire staff of AAML, indicating the number of beneficiaries;
- The total remuneration of those staff of AAML who are fully or partly involved in the activities of the Funds, indicating the number of beneficiaries;
- The proportion of the total remuneration of the staff of AAML attributable to the Funds, indicating the number of beneficiaries.

Where relevant, the total remuneration for the financial year shall also mention the carried interest paid by the Fund.

Where information is disclosed at the level of AAML, an allocation or breakdown shall be provided in relation to each Fund, in so far as this information exists or is readily available. As part of this disclosure, a description of how the allocation or breakdown has been provided shall be included.

AAML shall provide general information relating to the financial and non-financial criteria of the Remuneration Policy and practices for relevant categories of staff to enable investors to assess the incentives created. AAML shall disclose at least the information necessary to provide an understanding of the risk profile of the funds and the measures it adopts to avoid or manage conflicts of interest.

AAML will ensure that the following information is disclosed:

- Information concerning the decision-making process used for determining the Remuneration Policy;
- Information on linkage between pay and performance;
- Information on the criteria used for performance measurement and the risk adjustment;
- Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
- The main parameters and rationale for any annual bonus scheme; and

- The main parameters and rationale for any other non-cash benefits.

For confidentiality reasons, the information must be published in such a manner that the economic conditions of individuals are not revealed.

AAML discloses information at the level of the AIF/UCIT in the annual report of the relevant AIF/UCIT. It is to be noted that all the aforementioned information shall only be disclosed from the accounting period commencing 1st of January of the considered year, i.e. in the Annual Audited Report of December 31<sup>st</sup> of each year and of each Fund.

## **7.2 To Employees**

The Remuneration Policy should be accessible to all staff members of that management company. The staff members should know in advance the criteria that will be used to determine their remuneration. The appraisal process should be properly documented and should be transparent to the member of staff concerned. Human Resources are in charge of informing the relevant personnel of the Remuneration Policy, and any change thereto including of the criteria used to determine their remuneration and of the appraisal process. Human Resources will ensure that the Remuneration Policy are published on at least an annual basis and as soon as practicable after the information becomes available., either on the website of AAML as through an independent remuneration policy statement.

## **8 APPENDICES**

1. Evaluation Guide
2. Evaluation form

## 9 DOCUMENT TRACEABILITY

CONTROL VERSION			
	Name	Signature	Date
<b>(a) Responsible Areas</b>	Compliance		12/05/2023
	Risk		12/05/2023
<b>(b) Approval</b>	Management Committee		26/03/2024
	Board of Directors		27/03/2024

**The Evaluation Guide**



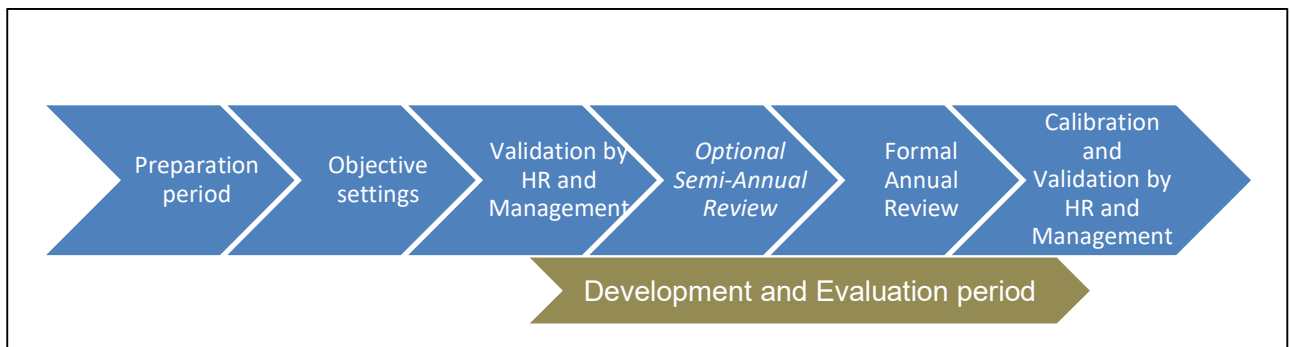
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## 1. Introduction

The performance evaluation system is meant to encourage a positive performance and behavior mindset at AAML. It is a way for all the employees to better understand how well they are performing in their job and must be used as a way to spot professional development opportunities as well. On top of the evaluation process, AAML encourages every employee to have regular feedback with their team and managers.

## 2. Evaluation process overview



### Agenda for the yearly performance evaluation

Preparation period	December-January
Previous year assessment	February-March*
Year-to-come Objective setting meetings	February-March *
Deadline for submission of completed evaluation form to Human Resources	15 March
Review of evaluation forms by Human Resources	End March
Coordination of development plans with training	End March
Optional Semi-Annual Review (optional)	Any time of the year
Previous year assessment	March N+1*
Year-to-come Objective setting meetings	March N+1*

\* There must not be more than 5 days between the meeting for the assessment of the previous year performance and the setting of the objectives for the new year to come.

## 3. Stakeholders

Every employee at AAML is involved in the performance evaluation process. The people involved can be categorised as following:

- Appraisers
- Appraisees
- Human Resources
- Top Management

**Appraisers** are the team managers leading the evaluation process for their team. They have a major role in the following tasks:

- Communicating to all employees about the performance evaluation cycle,
- Making sure the preparation requirements of the performance evaluation meeting are met,
- Setting the objectives according to AAML's guidelines through a meeting with each one of their appraisee,
- Taking the time to provide regular feedback to employees,
- Register any source of evidence that might be used during the evaluation meeting to support the results,
- Leading the semi-annual and annual evaluation meetings.

**Appraisees** are the employees who are being assessed during the performance evaluation meeting. They have an active role in understanding and accepting their yearly objectives, seeking for regular feedback on their work, self-assessing their yearly performance in the evaluation form and making some suggestions on their professional development opportunities.

**Human Resources** will make sure the evaluation process framework is respected by:

- Validating the objectives by checking the compliance with the legal and business requirements (SMARTS objectives, Qualitative objectives / quantitative objectives, multi-year / yearly objective, etc.).
- Receiving and calibrating the year-end results of the performance evaluation with the **Top Management team** to ensure that the results are coherent throughout AAML's organization.

### 3. Preparation period

Checklist for appraisers:

- ✓ Inform and prepare appraisees on the upcoming appraisal in due time (min. 1 week in advance)
- ✓ Ask Human Resources for the Performance evaluation Form
- ✓ Collect evidence and feedback from other stakeholders or colleagues
- ✓ Review existing job description
- ✓ Prepare potential changes on job description
- ✓ Fill in job requirements in cell "*Main tasks and responsibilities*" of the performance evaluation form before the meeting

- ✓ Think about and draft objectives on a company, departmental and individual level
- ✓ Schedule dates for 1:1 evaluation meeting in a quiet environment
- ✓ Plan approximately 2 hours for one meeting

#### **4. Setting of main tasks and objectives**

The annual evaluation meeting is the time where the previous year evaluation cycle closes and the new one starts. During the meeting, the appraiser must prepare the appraisal form for the year to come. In order to do so, the appraiser must first validate the cell “Main tasks and responsibilities” and then fill in the objectives for the appraisee.

##### **5.1. MAIN TASKS AND RESPONSIBILITIES**

The new appraisal form starts with the review of the appraisee’s existing main tasks and responsibilities description. This assessment is optional. If the description is up to date, no action is required. If the appraisee’s main tasks and responsibilities have changed, the description must be updated, signed accordingly and provided to HR for filing.

##### **5.2. SETTING THE OBJECTIVES**

The appraiser must then set the objectives for the appraisee by filling the appropriate

When doing so, the appraiser must follow these steps:

#### **1. Select the type of objective (qualitative vs quantitative)**

The appraiser must make sure there is an appropriate balance between quantitative and qualitative objectives. **A minimum of 2 qualitative objectives, with a total weight of minimum 30% are mandatory for each employee and have already been selected automatically in the form.**

- **Qualitative objectives** should be relevant at an institution, business unit or individual level. *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: EBA Guidelines EBA/GL/2015/22.*
- **Quantitative objectives** should cover a period which is long enough to properly capture the risk taken by staff members, business units and the institution and should be risk adjusted and include economic efficiency measures. *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). Source: EBA Guidelines EBA/GL/2015/22.

## 2. Formulate a “SMARTS” Objective

The evaluation form is made in such a way that will help the appraisers in setting up the SMARTS objectives. Appraisers should create objectives and be able to answer to the below questions when doing so:

- **Specific:** *Is there a description of a specific outcome / behaviour? What exactly has to be achieved? Is it clear who is involved?*
- **Measurable:** *How will I know that the change has occurred? Can these measurements be obtained?*
- **Attainable:** *Can the objective be achieved with a reasonable amount of effort and the resources we have? Do I know and understand the constraints?*
- **Relevant:** *Can the person whom the objective is set make an impact on the situation? Do they have the necessary knowledge, authority and skills? Is it relevant to the department's goals?*
- **Time-Bound:** *When will this objective be accomplished? Is there a stated deadline?*
- **Stimulating:** *Is the objective challenging and motivating?*

## 3. Select the objective level (Company, Departmental, Individual)

## 4. Write down the expected deliverable that will show if the objective has been reached or not.

## 5. Set up a deadline for the objective.

Objectives must be set on a yearly and/or multi-yearly basis when appropriate. For Identified Staff, at least one multiyear objective must be defined.

## 6. Set up a weight for the objective

The total weight for the qualitative objectives must be appropriately balanced with the quantitative ones.

## 7. Development and evaluation period

The development and evaluation period is the time between the annual evaluation meetings or the annual and Semi-Annual evaluation meetings.

The appraisee's performance is evaluated throughout the entire period. Evidence on completed main tasks and objectives shall be collected throughout this period by the appraiser. Sources of evidence and feedback

can be stakeholders, team members and other managers involved in a project or operational assignment. Regular feedback and consistent exchange between appraiser and appraisee are an essential part of this period and equally important as the appraisal meeting itself. The appraisal meeting should reflect what has been discussed throughout the year without any surprises for the appraisee.

## **7. Semi-Annual appraisal**

A semi-annual performance review meeting is optional but recommended as it helps to prepare for the annual performance evaluation. No documentation is required with the exception of a change in the objectives during the year.

## **8. Annual appraisal**

This part of the Annual Appraisal shall encompass a performance review of the past year's main tasks and responsibilities and objectives. Considering all factors, the appraiser gives a final rating on the respective objectives, supported by relevant examples in the "Assessment of objectives" section. Feedback can be collected from other stakeholders or colleagues (e.g. involved in the same project, previous reporting line, etc.). The rating and feedback should not come as surprise to the appraisee but rather as summary of previous discussions and dialogues held throughout the year.

### **8.1. RATING OF MAIN TASKS AND RESPONSIBILITIES**

Rating definitions for the main tasks and responsibilities:

A = Above expectations

B = Meets requirements

C = Does not consistently meet requirement

D = Needs Improvement

### **8.2. QUALITATIVE OBJECTIVES RATING**

The achievement of quantitative objectives is expressed in percentage (%), using the following indications:

Exceptional - **more than 150%**

Consistently produces exceptional results at the highest level of performance and exceeds expectations. Performance stands out amongst peers.

Overachieved – **between 101 and 150%**

Consistently meets job and objective requirements. Occasionally exceeds expectations.

Achieved – **between 75 and 100%**

Consistently meets job and objective requirements. Consistent with peers at the same level.

Not achieved – **less than 75%**

Underperforms on all or the majority of expectations. Performance is markedly behind peers.

### **8.3. QUANTITATIVE OBJECTIVES RATING**

The achievement of quantitative objectives is expressed in percentage (%).

### **8.4. FINALE RATING**

A final percentage will be automatically calculating, considering the weight of each objective and its percentage of achievement.

For employees with a contractual base bonus, this final percentage will be used to calculate the amount of variable remuneration.

## **9. Professional development**

This section is made for employees to think together with their managers about the professional development possibilities that can make them grow in their professional career. Human Resources will then review the professional development requests in order to make sure they are aligned with AAML's current and future development strategy.

Any professional development request must first be approved by the appraiser and by Human Resources before any action is taken by the employee.

## **10. Submission of appraisal documents**

The form must be submitted at least twice a year to Human Resources for validation, once after the objective setting meeting has been made, then after the annual performance evaluation meeting.

MY ANNUAL PERFORMANCE REVIEW

YEAR 2013

	Appraisee	Appraiser
Department		
Firstname		
Surname		
Identified Staff		N/A
Current position		
Seniority in the position		
Seniority in the company		

Main tasks and responsibilities

Assessment of main tasks and responsibilities

								ABCD
Objectives		Deliverables	Time limit	Weight %	Year/hold year	Assessment of objectives		ACHIEVEMENT %
TITLE						Self Assessment	Appraiser Assessment	
1	Qualitative	Complete			YEAR			
TITLE					YEAR			
2	Qualitative	Complete			YEAR			
TITLE					YEAR			
3	Quantitative	Included			YEAR			
TITLE					YEAR			
4	Quantitative	Complete			YEAR			
TITLE					YEAR			
5	Quantitative	Complete			YEAR			
TITLE					YEAR			
6	Quantitative	Complete			YEAR			
				WEIGHT CHALLENGE	PERCENT			
				YOUR QUANTITATIVE	PERCENT			
				TOTAL	PERCENT	Final rate		0

Comments Appraiser	
Comments Appraiser	
Date of the objectives' setting and validation:	



AAML ex-ante risk adjustment of variable remuneration				Max. Haircut										
Event	Description	Impacted staff		Sr Management - MO + Legal	Sr Management - Business + PM	Sr Management - Risk Management	Sr Management - Compliance	Risk Management Department	Portfolio Management Department	Legal Department	Compliance Department	Middle Office Department	Business Department	Internal Control
Solvency	1 period-breach on tolerance limits	Solvency Ratio below safety tolerance limit of 125% during 1 quarter.	All employees as the company will lose capacity to have profits.	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	2 period-breach on tolerance limits	Solvency Ratio below safety tolerance limit of 125% during 2 quarters.	All employees as the company will lose capacity to have profits.	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
	3 period-breach on tolerance limits	Solvency Ratio below safety tolerance limit of 125% during 3 quarters.	All employees as the company will lose capacity to have profits.	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
	4 period-breach on tolerance limits	Solvency Ratio below safety tolerance limit of 125% during 4 quarters.	All employees as the company will lose capacity to have profits.	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	Breach on Solvency Ratio	Solvency Ratio = Total Capital / Minimum Capital Requirement > Minimum capital requirement. Calculated on a quarterly basis.	All employees as the company will lose capacity to have profits.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Liquidity	Liquidity profile deviation in one or more sub-funds	Change of strategy initiated by a portfolio manager that has a potential impact on liquidity of the compartment.	Portfolio Managers only.	0%	10%	0%	0%	0%	20%	0%	0%	0%	0%	0%
	Ignore of a Liquidity warning in 1 or several sub-funds	Liquidity warning means a current or potential liquidity issue escalated by the control functions that may impact on the sub-funds capacity of meeting redemptions.	Sr management and portfolio managers.	20%	20%	20%	20%	0%	20%	0%	0%	0%	0%	0%
	Acceptance of an illiquid new sub-fund	Acceptance of a new sub-fund that presents a liquidity mismatch (between strategy and frequency)	Senior Management	30%	30%	30%	30%	0%	0%	0%	0%	0%	0%	0%
	Non-escalation of a liquidity issue	Negligence on: 1. Non-escalation of a detected liquidity issue; 2.Non-assessment of the liquidity risk controls that may result on the non-detection of a potential liquidity issue.	Risk Management only, specially the Risk Manager that acted negligently and the line manager.	0%	0%	30%	0%	100%	0%	0%	0%	0%	0%	0%
Credit	Credit profile deviation in one or more sub-funds	Change of strategy initiated by a portfolio manager that has a potential impact on the compartment's credit risk.	Portfolio Managers only.	0%	10%	0%	0%	0%	20%	0%	0%	0%	0%	0%
	Acceptance of a new sub-fund with potential Credit issues	Acceptance of a new sub-fund that presents a credit issue (mismatch between strategy and prospectus risk warnings)	Senior Management	30%	30%	30%	30%	0%	0%	0%	0%	0%	0%	0%
	Non-escalation of a credit issue	Negligence on: 1. Non-escalation of a detected credit issue; 2.Non-assessment of the credit risk controls that may result on the non-detection of a potential credit issue.	Risk Management only, specially the Risk Manager that acted negligently and the line manager.	0%	0%	30%	0%	100%	0%	0%	0%	0%	0%	0%
Concentration and Eligibility	Critical Active Breach of Regulatory and prospectus limits	Critical means to execute an investment knowing that it will create a prospectus and/or regulatory breach.	Portfolio Managers only.	0%	10%	0%	0%	0%	10%	0%	0%	0%	0%	0%
	Acceptance of a new sub-fund with potential concentration/eligibility issues.	Acceptance of a new sub-fund that presents a concentration or eligibility issue (mismatch between strategy and prospectus risk warnings)	Senior Management	30%	30%	30%	30%	0%	0%	0%	0%	0%	0%	0%
	Non-escalation of a concentration/eligibility issue	Negligence on: 1. Non-escalation of a detected passive or active breach; 2.Non-assessment of the investment compliance controls that may result on the non-detection of a potential breach.	Risk Management only, specially the Risk Manager that acted negligently and the line manager.	0%	0%	30%	0%	100%	0%	0%	0%	0%	0%	0%
Operational Risk	Non-voluntary critical event	Significant event with a potential impact due to an operational error of an employee.	All employees, as operational event includes any type of events regarding the company's activity and its staff.	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
	Voluntary critical event	Significant event with a potential impact due to a negligent action of an employee.	All employees, as operational event includes any type of events regarding the company's activity and its staff.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Compliance	Breach of AML policies	N/A	Compliance officers only.	0%	0%	0%	10%	0%	0%	0%	50%	0%	0%	0%
	Acceptance of a new sub-fund with AML issues	Acceptance of a new sub-fund that presents AML issues.	Senior Management	30%	30%	30%	30%	0%	0%	0%	0%	0%	0%	0%
	Non-escalation of a compliance issue	Negligence on: 1. Non-escalation of a detected compliance issue; 2.Non-assessment of the controls that may result on the non-detection of a potential compliance issue.	Compliance Department only, specially the Compliance Officer that acted negligently and the line manager.	30%	30%	30%	30%	0%	0%	0%	100%	0%	0%	0%
Internal audit issues	Breach of Confidentiality	Any type of confidentiality breach	All employees	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Critical issues raised	N/A	All employees	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
	Overdue critical issues	N/A	All employees	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	High risk issues raised > 5	N/A	All employees	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
	Overdue high risk issues	N/A	All employees	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
ESG Risk	Major environmental lawsuit against AAML	Reputational damage due to ESG-related controversies, reputational damage due to ESG-related controversies, or non-compliance with ESG regulations.	Portfolio Management	30%	30%	30%	30%	10%	30%	10%	10%	10%	10%	10%
ICT / Cyber-security Risk / GDPR	Successful cyber attack on AAML, with significant direct or indirect financial impact	Data breaches, cybersecurity incidents, or vulnerabilities in information systems.	All employees	20%	20%	20%	20%	10%	20%	10%	10%	10%	10%	10%