

# Remuneration Policy

As of 01/01/2020

## 1. Regulatory background

Innpact Fund Management S.A (the “**AIFM**” or the “**Company**”) under the AIFM Law, has implemented this remuneration policy (the “**Remuneration Policy**” or “**Policy**”).

The Remuneration Policy aims at ensuring compliance with the following legal and regulatory requirements:

- Article 13 of the Alternative Investment Fund Managers Directive 2011/61/EU (the “**AIFMD**”),
- Annex II of the law of 12 July 2013 relating to managers of alternative investment funds (the “**AIFM Law**”),
- Section 5.5.9. of the CSSF Circular 18/698,

and shall be understood in light of the ESMA/2016/575 Guidelines on sound remuneration policies under the AIFMD amending the ESMA Guidelines 2013/232 (the “**ESMA Guidelines**”).

This Policy promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the alternative investment funds (the “**AIF(s)**”) managed by the AIFM.

This Policy is in line with (i) the business strategy, objectives, values and interests of the AIFM and the AIFs and (ii) the best interest of investors of the AIFs and (iii) includes measures to avoid conflicts of interest.

## 2. Scope

The Remuneration Policy deals with the determination and payment of all kind of remunerations regarding the AIFM. The Board undertakes to apply these principles to all Identified Staff members and Directors of the AIFM.

According to ESMA Guidelines, Identified Staff are categories of staff, including senior management, risk takers, 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 the AIFM’s risk profile or the risk profiles of the AIFs that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the AIFM, whose professional activities have a material impact on the risk profiles of the AIFs that the management company manages.

The AIFM Identified Staff is listed below:

- individuals who are members of the Board of the AIFM: **the Directors**
- members of the Management Committee: **the Conducting Officers**, the Senior Management

- the control functions of the AIFM: the Risk Management, the Compliance, and the Internal Audit delegated: **the Conducting Officer responsible of the Risk Management and the Compliance function**
- staff responsible for heading operations, administration, accounting and human resources, marketing and distribution: **the Conducting Officer responsible of the Operations functions**
- risk takers whose professional activities have a material impact on the risk profile of the AIFM or any AIF it manages and who receive total remuneration that takes them into the same remuneration bracket as senior management and risk takers (including persons capable of entering into contracts / positions and taking decision that have a risk impact on profile of the AIFM or any AIF it manages): **no other identified individual**
- any employees receiving any type of remuneration that takes them into the same remuneration bracket as senior management and risk takers: **no other identified individual**.

### 3. Responsible person

These principles shall apply to remuneration of any type of remuneration paid directly by the AIFM itself to its staff.

The AIFM's business model is to manage third party AIFs. The AIFM staff is only remunerated by cash payments or by in kind benefits by the AIFM. It is not remunerated by transfer of units or shares of the managed AIFs.

The remuneration policy is defined by the Board and validated by the shareholders of the AIFM.

The Board is responsible for the implementation of the Remuneration Policy, the Senior Management must control that the Policy is respected and must notify the Board for any breach or violation they become aware of during the normal course of their assessment.

### 4. Supervision and revision of the remuneration policy

Any decision made in relation with the remuneration of the staff will be specifically documented.

The implementation of the remuneration policy will be reviewed by the Internal Auditor and its compliance with Luxembourg legal requirements will be reassessed by the Compliance permanent function.

In case any finding or need for update is identified it will be reported to the Board for action. Furthermore, anything that may give rise to a potential risk of conflict of interest will be duly documented.

Changes or updates of the Policy are approved by the Board and validated by the shareholders.

### 5. Proportionality Principle

Certain remuneration requirements imposed by the AIFMD and the AIFM Law and clarified by the ESMA Guidelines are subject to the principle of proportionality.

This principle considers certain criteria relating to the AIFM itself and/or Identified Staff (i.e the size, internal organization, nature, scope and complexity of their activities) in order to:

- Disapply or neutralize in their entirety, some of the remuneration principles, or
- Only implement in a less burdensome way some other of these remuneration principles.

By applying the principles of proportionality as foreseen, the AIFM intends to disapply the following requirements of the ESMA Guidelines 2016/575 and the AIFM Law:

1. Variable remuneration in instruments,
2. Retention,
3. Deferral,
4. Ex post incorporation of risk for variable remuneration.

The AIFM intends to disapply to have a portion of the variable remuneration in instruments. The AIFM notes that ESMA, under XII.IV.II of its guidelines, mentions that staff should not be remunerated in instruments if that triggers interest misalignment or encourage risk-taking, which is inconsistent with the risk profiles of the AIFs and if it triggers conflicts of interest.

The Remuneration Policy considers the fact that the AIFM shall have no ability to grant any AIF instrument to its own staff.

The AIFM intends to disapply the retention, deferral and ex-post incorporation of risk for variable remuneration on the basis of (i) the limited amount of the variable part of the staff's remuneration, (ii) the predominance of the non-financial component in the assessment of the granting of variable remuneration and (iii) the ownership profile of the AIFM.

When applying the proportionality principle, the AIFM complies with the proportionality guidelines as set out in the ESMA Guidelines (section 23 to 31). Specifically, the AIFM implements its remuneration principles and standards in accordance with the following criteria laid down in section 29 of the ESMA Guidelines.

The Company aims at applying to the B Corp certification.

## **6. Remuneration structure**

Fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration.

### **6.1. Fixed remuneration**

A fixed remuneration is any remuneration that is paid out without consideration of any performance criteria. A fixed remuneration may consist of:

- 1) a recurrent payment to an employee that is made upon the basis of an employment contract (base salary),
- 2) payments or benefits that are available to all employees, irrespectively of the performance.

All employees of the AIFM receive a base salary which is line with their functions, responsibilities and professional qualifications.

Fixed remuneration can be reviewed annually in the context of an annual performance assessment of the AIFM employees.

The AIFM ensures that:

- The repartition between fixed and variable remuneration is compliant with its interests, the interests of the AIFs and their investors,
- The remuneration system prevents any excessive risk-taking.

### **6.2. Variable remuneration:**

The variable remuneration is used to annually reward, incentivise excellency work and align the success of the AIFM with the employees. All employees are eligible to receive a variable remuneration.

The variable remuneration is paid only if it is sustainable according to the financial situation and profitability of the AIFM and justified according to the performance of the relevant service and the individual concerned. Following the annual assessment of each employee of the AIFM, the variable remuneration will be determined by the Board.

Variable remuneration should not be paid through vehicles or methods that are aimed at artificially evading the remuneration provisions of the AIFMD and the AIFM Law.

### **6.3. Ratio fixed vs. Variable Remuneration**

For all Identified Staff, the maximum of their variable remuneration may not exceed five months of their fixed remuneration. This measure aims to avoid any possible inappropriate risk-taking.

### **6.4. Appraisal process within the AIFM**

The assessment of the performance is done annually to ensure that the long-term performance of the employee is assessed. Assessments are done in writing and assessment forms are signed by the assessor and the employee at the end of the assessment process.

### **6.5. Long-term incentives**

The AIFM and its mother company have put in place a complementary pension scheme, from which all employees benefit.

In addition, an ESOP - employee stock ownership plan, will be put in place in 2020 which entitles all employees to receive, as part of their variable pay, the right to buy preferred shares of the mother company of the AIFM.

### **6.6. Personal hedging strategies**

Employees of the AIFM cannot use personal hedging strategies or insurances to undermine the risk-alignment effects embedded in their remuneration arrangements.

### **6.7. Early termination of contract**

Payments related to the early termination of a contract will reflect performance achieved over time.

## **6.8. Specific provisions applicable**

### **a) Remuneration of Board members:**

Board members representing the shareholder do not receive any remuneration for their work as Board members.

The members of the Board who are independent members are entitled to receive an annual lump sum in line with market rates.

### **b) Remuneration of Conducting Officers:**

The fixed remuneration of the Conducting Officers is negotiated at the beginning of the relation with the AIFM. Fixed remunerations may evolve depending on change of responsibilities, change of functions, performance and seniority.

Remunerations of the Conducting Officers are directly determined by the Remuneration Committee.

### **c) Remuneration of control functions:**

Remuneration for employees responsible for Compliance, Risk Management and Internal Audit functions (the “**Control Functions**”) will be determined independently from the performance of the specific business areas they support. This helps prevent any potential conflicts of interest.

## **6.9. Payment of carried interest to Identified Staff**

As third party AIFM, the payment of carried interest to Identified Staff is not applicable to the AIFM.

### **6.10. Performance Fees**

The AIFs do not intend to pay performance fees.

### **6.11. Guaranteed variable remuneration**

There is no fixed nor guaranteed bonus.

## **7. Remuneration of the delegate in charge of the portfolio management function**

The business model adopted by the AIFM may foresee the delegation of the portfolio management function.

When delegating the portfolio management function, the AIFM will check that:

- the entities to which the portfolio management function has been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the laws and regulations; and
- appropriate contractual arrangements are put in place to ensure no circumvention of the remuneration rules. These arrangements should cover any payments made to the delegates’ identified staff as compensation for the performance of portfolio or risk management activities on behalf of the AIFM.

The AIFM may disregard the foregoing requirements, on a case by case basis.

## **8. Governance**

### **8.1. Board of Directors**

The Board of the AIFM will be required to approve and annually review the Remuneration Policy. It recommends the remuneration of the Conducting Officers and approves the variable remuneration of the employees of the AIFM, if any.

Members of the senior management that are also members of the Board shall abstain from discussing and deciding the relevant Conducting Officers' remuneration.

### **8.2. The Conducting Officers**

The Conducting Officers of the AIFM are in charge of making sure that the remuneration policy is implemented.

### **8.3. Control Functions**

The Control Functions should be closely involved in reviewing the remuneration system of the AIFM.

The Risk Management function assesses how the variable remuneration structure affects the risk profile of the AIFM.

The Compliance function assesses the compliance of the remunerations structure with the legislation, regulations and internal policies.

The Internal Audit function will be informed about reward policies and will perform annual checks in order to verify that the policy works as intended and it is applied consistently.

### **8.4. Remuneration Committee**

The Board has established a Remuneration Committee, which is responsible for:

- Approving the Remuneration Policy and overseeing its implementation;
- Approving the remuneration packages of senior management;
- Reviewing and approving the remuneration strategy for the AIFM, ensuring that remuneration arrangements are consistent with effective risk management and do not encourage excessive or inappropriate risk management;
- Determining the size of any annual variable pay pool;
- Approving the design and implementation of incentive plans;
- Considering the recruitment and redundancy of employees.

The Remuneration Committee consists of at least three individuals, minimum two directors and the HR Director of the sole shareholder of the AIFM, Innpact S.à r.l.

The Remuneration Committee meets on a regular basis to consider remuneration matters relating to the AIFM, and at least once a year.

## **9. Updating of policy**

The Remuneration Policy is reviewed on an annual basis and it will be updated whenever needed. Any update made to the Remuneration Policy will be subject to the prior approval of the Remuneration Committee and by the Board.

## **10. Disclosure**

### **10.1. External Disclosure**

The AIFM will issue an annual report covering the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries.

### **10.2. Internal Disclosure**

The Remuneration Policy is part of the AIFM's policies and procedures and as such the main principles are available to all staff.

Confidential quantitative aspects of the remuneration of staff will remain confidential and thus not be internally or externally disclosed.