
Remuneration Policy

Last update

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1. Purpose

This remuneration policy (hereafter the "Policy") sets forth the matters to be considered by MUFG Lux Management Company S.A.'s (hereafter "MUFGLM") Board of Directors (hereafter the "Board") prior to paying or deciding to pay out remuneration to a MUFGLM's employees, including conducting officers (the "Conducting Officers"). It is in line with the remuneration policy of the group, namely Mitsubishi UFJ Financial Group.

The Policy integrates the provisions of the Alternative Investment Fund Manager ("AIFM") and Undertakings for Collective Investment ("UCI") Laws, the European Union regulatory requirements relating to remuneration and corporate governance, and the guidelines of the European Securities and Markets Authority, ESMA/2016/575 and ESMA/2016/579 (hereafter "ESMA guidelines"). From a Luxembourg perspective, the Policy takes into account the applicable Luxembourg regulations including the provisions set forth by the Law of 17 December 2010 (covering UCIs) (hereafter "UCI Law"), the Law of 12 July 2013 (covering AIFM) (hereafter "2013 Law"), the Circular CSSF 10/437 with regard to 'Guidelines concerning the remuneration policies in the financial sector' (hereafter "Circular CSSF 10/437"), and points 388-391 of the Circular CSSF 18/698 with regard to 'Authorisation and organisation of investment fund managers incorporated under Luxembourg law & 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 Policy also integrates the provisions of the Sustainable Finance Disclosure Regulation ("SFDR") regulatory requirements under Article 5 relating to the inclusion in MUFGLM's remuneration policy of information on how the remuneration policy is consistent with the integration of sustainability risk.

The Policy is consistent with and 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 funds managed by MUFGLM. The Policy does not explicitly take into account sustainability risks. However, the policy applies the principles of sound and effective risk management (as described above) to sustainability risk in the same way that it does to all other forms of risk.

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

MUFGLM's remuneration policies must be gender neutral and respect the principle of equal pay for male and female employees for equal work or work of equal value.

2. Scope

The Policy applies to all remunerations paid by MUFGLM to persons that have an employment contract with MUFGLM, as the case may be, directors, Conducting Officers and other full- and part-time staff, including external consultants.

3. Principle of proportionality and remuneration committee

MUFGLM has taken into consideration the principle of proportionality in a way and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of its activities, particularly considering:

- small number (< 20) of employees;
- liquidity profile of the funds' portfolios being largely assets that can be readily converted to cash;
- investment management being delegated and carried out by well-known portfolio management companies.

Following the principle of proportionality, it has been decided not to set up an independent remuneration committee. Instead, the Board itself acts as a remuneration committee (without explicitly using the wording "remuneration committee"), and therefore a fixed point on each first quarter of the year board of directors meeting is dedicated to remuneration matters. If needed, though, the Board will discuss remuneration matters also in other board of directors meetings.

4. Delegation of activities

At the time of elaboration of the Policy, MUFGLM has contractual delegation arrangements in place with external parties regarding accomplishment of some activities. Most of the activities relating to portfolio management have been delegated to large and globally known professionals.

MUFGLM ensures that:

- the entities to which portfolio management activities have been delegated to, are subject to regulatory requirements on remuneration that are equally as effective as those applicable under UCI Law, AIFM Law and ESMA Guidelines; or/and
- appropriate contractual arrangements are put in place with entities to which portfolio management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules: these contractual arrangements cover any payments made to the delegates' identified staff as compensation for the performance of portfolio or risk management activities on behalf of MUFGLM.

The activities of transfer agency, central administration and internal audit are also contractually delegated mostly to entities of Mitsubishi UFJ Financial Group (hereafter the "Group").

5. Publication

5.1. Internal Publication

MUFGMLM employees are regularly informed about their remuneration, criteria used to measure performance and the link between performance and remuneration.

5.2. External Publication

The communication of the remuneration policy is made available on the website of MUFGMLM.

The present Policy is at the disposal of the Commission de Surveillance du Secteur Financier ("CSSF"), the Board, the internal audit function and the head of human resources of Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. ("MIBL") (to which internal audit and human resources have been delegated).

6. Fixed remuneration

6.1. Scope

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

- a) a recurrent, generally monthly payment to an employee that is made upon the basis of an employment contract;
- b) a 13th month payment;
- c) payments or benefits that are available up to the same amount to all staff or to a particular group of staff, irrespectively of the performance or of the department in which the staff is working (including, but not limited to chèques repas (lunch vouchers – in paper or electronic format), pension plan, parking spaces.

Payment of overtime, night-time or of working time on holidays or Sundays is not related to performance criteria and is considered to be a part of the fixed remuneration.

The human resources function of MIBL is in charge for the pay-out of the fixed remuneration.

6.2. Principles of gender neutrality and equal pay

The gender-neutral fixed remuneration of identified staff should reflect their professional experience and organisational responsibility, taking into account the level of education, the degree of seniority,

the level of expertise and skills, the constraints (e.g. social, economic, cultural or other relevant factors) and job experience, the relevant business activity and remuneration level of the geographical location.

6.3. Beneficiaries of a fixed remuneration

a) Board members

MUFGMLM pays no remuneration to the members of the Board (apart from directors outside of the Group) and the directors that are also employees of MUFGMLM.

b) Conducting Officers

The fixed remuneration of the Conducting Officers is determined by the Board. To prevent any potential conflict of interest, those Conducting Officers that are also members of the Board are prohibited from attending the point on the agenda of the Board meeting where their remuneration as conducting officer is being discussed and decided.

c) Staff

The fixed remuneration of staff is determined by the Conducting Officers under the supervision of the Board.

6.4. Changes to the fixed remuneration

Any increase to the fixed remuneration is based upon the discretionary opinion of the Conducting Officers.

A decrease of the fixed remuneration is only possible if certain legal formal requirements are met (as further specified in the Luxembourg Labour Code).

7. Variable remuneration

MUFGMLM has a performance-based culture and therefore rewards its employees through variable remuneration. This is designed to attract, retain and motivate its employees without encouraging taking inappropriate risks.

A variable remuneration is any payment on a discretionary basis (unless contractually determined) that is made to a director, Conducting Officer or other staff as a consequence of performance of the receiver, of the receiver's department, of MUFGMLM as a whole, or of the Group.

The decision to allocate a variable remuneration to MUFGMLM's employees lies with the Board.

7.1. Beneficiaries of a variable remuneration

A distinction is made between the following categories:

A. Identified Persons

Identified Persons are persons whose professional activities have a material impact on MUFGLM's risk profile and include the Board, the Conducting Officers, the control functions and the risk takers.

- 1) Board of Directors (four (4) members)

The Board is not paid any variable remuneration by reason of their directorial function.

- 2) Conducting Officers (four (4) members)

The variable remuneration paid to Conducting Officers is determined by the Board. Conducting Officers that are also members of the Board are prohibited from attending the point on the agenda of the Board meeting where their remuneration as Conducting Officer is being discussed and decided.

- 3) Control Functions (seven (7) members)

The control functions are the internal auditor (1), the risk management team¹ (4) and the compliance team (2) (the "Control Functions").

The Variable Remuneration paid to the Control Functions is determined by the Board upon consultation with the Conducting Officers.

The internal audit function has been delegated to MIBL.

- 4) Risk Takers

Risk Takers are identified as being the persons whose professional activities have a material impact on the risk profile of MUFGLM or the funds managed by MUFGLM.

Currently, no Risk Takers have been identified.

B. All other staff of MUFGLM

With "all other staff of MUFGLM" reference is made to anyone that is not considered to be an Identified Person.

¹ One of the Conducting Officers also acts as Risk Management Officer of the Management Company.

7.2. Form of variable remuneration

MUFGLM's intention is to pay out only variable remuneration in the form of a bonus in cash, payable at 100% on the payment day subsequent to the allocation.

Given the small number of Identified Persons, if any, MUFGLM has no intention to differentiate in the form of payment between Identified Persons and other staff. Only the criteria of allocation may differ.

MUFGLM is thus applying the principle of proportionality.

7.3. Determination of a variable remuneration in a contract

The Board and the Conducting Officers do not accept that a variable remuneration be fixed in the employment contract.

As an exceptional measure, and in order to help in the recruitment of experienced persons, a variable remuneration may be fixed in the employment contract, but such is only permitted for the first year of employment.

In addition, so-called "golden handshake" (additional remuneration related to the end of the employment contract) or "welcome bonus" (additional remuneration related to the start of the employment) or "retention bonuses" (related to a merger or acquisition process) may be authorised in exceptional circumstances by the Conducting Officers, subject to approval from the Board.

A "golden handshake" can only be awarded if it is made sure such variable remuneration does not reward failure to perform of any kind.

7.4. Short-term incentives

a) Discretionary bonus

The purpose of the discretionary bonus is to annually reward and incentivise excellent performance and to align the success of MUFGLM with that of the employee. Discretionary bonuses are intended to reflect contribution to the overall success of MUFGLM and are designed to take a long term view of MUFGLM's development. All employees, except those who participate in a formula driven incentive, are eligible to receive a discretionary bonus.

b) Appraisal process within MUFGLM

The annual appraisal process is used to evaluate and measure an employee's performance against defined objectives. The "Specific - Measurable - Achievable - Realistic - Time-bound" (known as «SMART») objectives concept is used when setting objectives.

An employee's primary annual objectives are agreed with his/her line manager at the start of each calendar year. Where agreed between the line manager and the employee, weightings may be applied to these objectives. Objectives are linked to the general risk adverse culture of the Group, and whilst some may be standardized within certain functions, most are tailored to the individual employee's role and responsibilities.

7.5. Ratio fixed vs. variable remuneration

The fixed remuneration should represent a high proportion of the total remuneration in accordance with point 2.4 of the Circular CSSF 10/437 and paragraph j of point 1 of Annex II of the 2013 Law.

For all categories of employees mentioned in the Policy as being the Identified Persons, the maximum of their variable remuneration may not exceed 150% (one hundred fifty percent) of their fixed remuneration. This measure aims to avoid any possible, if any, inappropriate risk-taking by the employees.

7.6. Specific applicable provisions

a) Hedging strategy

MUFGLM monitors that employees do not use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. MUFGLM guarantees that variable remuneration paid is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM and UCI Laws.

MUFGLM staff should not utilize any hedging strategy.

b) Pension policy

The pension policy is in line with the business strategy, objectives, values and long-term interests of MUFGLM and the funds it manages.

If an employee leaves MUFGLM before retirement, discretionary pension benefits shall be held by MUFGLM for a period of five (5) years in the form of financial instruments.

In the case of an employee reaching retirement, discretionary pension benefits shall be paid to the employee in the form of instruments subject to a five (5) years retention period. Please, note that this is applicable to discretionary pension benefits and therefore not applicable to the fixed contributions to pension plan.

7.7. Criteria for the allocation of a variable remuneration

The Board of Directors and/or Conducting Officers may decide to allocate a variable remuneration based upon the following criteria (in the order of importance from up to down):

- A1 the overall performance of MUFGLM;
- A2 the overall performance of MUFGLM compared to the targets of profitability fixed;
- A3 the overall performance of the Group;
- A4 the expectations of evolution during the next three years of MUFGLM;
- A5 the expectations of evolution during the next three years of the Group;
- A6 the total bonus amount allocated to MUFGLM by the Board;
- A7 the bonus amount allocated by the Board and/or Conducting Officers (as the case may be) to the respective function;
- A8 the personal performance of the employee during the year for which the bonus will be paid;
- A9 the personal performance of the employee during the previous two years;
- A10 the personal performance of the employee compared to the targets fixed at the beginning of the respective year;
- A11 the personal performance of the employee compared to other employees in a similar position (if any);
- A12 the overall performance of the department of which the employee is a member during the year to which the bonus relates;
- A13 the overall performance of the department of which the employee is a member during the previous two years;
- A14 the overall performance of the department of which the employee is a member compared to the targets of profitability fixed at the beginning of the respective year;
- A15 the overall performance of the department compared to similar departments;
- A16 the discretionary appreciation of the direct supervisor or the manager (if any);
- A17 the discretionary appreciation of the decision maker, the Board or the Conducting Officers (as the case may be).

For criteria A8. to A11., «performance» is to be understood as a combination of both financial and professional achievements (i.e. work quality, work quantity, flexibility and adaptability, technical proficiency, continuous improvement, ability to cooperate, verbal and written communication, compliance with Anti-Money Laundering requirements, etc.), including the position of the employee within MUFGLM, his adherence to MUFGLM's rules of conduct (referring also to the Group compliance manual, including code of ethics and conflicts of interest policy), his behaviour at work and the relationship to other employees and to clients (if applicable), as further detailed in the appraisal process that takes place once a year (includes also periodical interim reviews), and the respective related procedure and evidenced by a "score" that the employee has obtained.

For criteria A1. to A3. and A12. to A15., «performance» is to be understood as financial achievements only.

Criteria A3. to A5. may not be applied to the staff of MUFGLM.

Criteria A11. to A15. cannot be taken into account for control functions since their performance measures will be based on the achievements and objectives of the functions, and their remuneration will be determined independently from the performance of the specific business areas they support, therefore helping to prevent any potential conflicts of interest.

The Board and/or the Conducting Officers (as the case may be) are authorized not to take into

account one, some or most of the above criteria, subject to that the reason for such are duly explained to the respective staff and documented, for inspection by the Board and a third level control.

The Board and/or the Conducting Officers (as the case may be) is/are not authorized to take into account any other criteria than those listed above.

In case the variable remuneration has been fixed contractually, the Board and/or the Conducting Officers (as the case may be) may decide to pay out an additional portion of the variable remuneration in accordance with the criteria mentioned above.

The Board and/or the Conducting Officers (as the case may be) is/are not authorized to enter into an employment contract that specifically excludes or voids any of the above criteria A1. to A2. and A8. to A11.

7.8. Conditions of payment of deferred variable remuneration

Although it is not the intention of MUFGLM to defer payment of variable remuneration, the deferred variable remuneration, if any, will be paid out subject to the following terms and conditions:

a) Deferral of payment

A variable remuneration, at the option of the Board and/or the Conducting Officers (as the case may be) can be paid over a period of up to a maximum of five (5) years. Payment amount of the variable remuneration will be adjusted to the number of years without that the yearly pay-out amount can be lower than two (2) monthly salaries of the employee, except the last year of payment.

b) Ongoing personal performance of the employee related

The Board and/or the Conducting Officers (as the case may be) is/are authorized to reduce or cancel part of the unpaid portion that is due in a current year of a variable remuneration that has been awarded, if the receiver substantially fails to meet a corresponding level for criteria A8. and A10. As mentioned above. Such a decision has to be communicated to the receiver of the variable remuneration in writing.

The Board and/or the Conducting Officers (as the case may be) is/are authorized to reduce or cancel all or part of the unpaid part of a variable remuneration that has been awarded based on data which was subsequently proven to be substantially fraudulent.

c) Claw-back (applicable to non-deferred variable remuneration)

Further, the Board and/or the Conducting Officers (as the case may be) is/are authorized to require staff members to repay all or part of the variable remuneration that has been paid out already based on data which was subsequently proven to be substantially fraudulent, based on misleading information or on behaviour that breach AIFM or UCI Laws and related guidelines. Such repayment can only be requested to the fraudster themselves. Any such a decision has to be communicated to the receiver of the variable remunerations in writing.

d) Serious mistake made by the receiver of the variable remuneration

The Board and/or the Conducting Officers (as the case may be) is/are authorized to reduce or cancel all or part of the unpaid portion of a variable remuneration that has been awarded in case a serious mistake is made by the receiver and such has been communicated to the receiver in writing.

e) Absence of profit of MUFGLM or the Group

The Board and/or the Conducting Officers (as the case may be) is/are authorized to reduce or cancel all or part of the unpaid portion of a variable remuneration that is due in a current year, in case a situation arises that, in the discretionary opinion of the Board and/or the Conducting Officers (as the case may be), makes it impossible to presume that MUFGLM or the Group can or will continue to be able to carry out its business as a going concern. Such a decision has to be communicated to the receiver of the variable remuneration in writing.

The Board and/or the Conducting Officers (as the case may be) is/are not authorized to enter into an employment contract that specifically excludes or voids any of the above terms and conditions.

In case of termination of the employment contract for any reason whatsoever or in case of retirement, any unpaid portion of a variable remuneration is to be paid out with the last salary due.

7.9. Payment method of the variable remuneration

A variable remuneration will be paid only in cash via bank transfer.

Due to the application of the proportionality principle, the Board does not intend at this moment to pay a variable remuneration, in full or in part, in shares or other equity or options.

7.10. Payment Date of the variable remuneration

Payment date of the variable remuneration or a part thereof, except in cases in which such is fixed contractually, is situated on a day of the month of February or March of the year following the year to which it relates.

The Conducting Officers will announce the payment day of each year to the staff in advance.

The Board and/or the Conducting Officers may decide to fix a different date for the payment of the variable remuneration amount or part of the variable remuneration amount.

8. Annual review

The Policy is reviewed annually by the internal control functions (MIBL internal audit team and MUFGLM compliance team) in accordance with point 2.22 of the Circular CSSF 10/437 and paragraph d of point 1 of Annex II of the 2013 Law.

The Policy is also reviewed (at least) annually by the Board and approved accordingly.