

## REMUNERATION POLICY

### Scope of activities of ECP

European Capital Partners (Luxembourg) S.A. (hereinafter named “ECP”) is a management company within the meaning of Article 101 (2) of the law of 17 December 2010 on undertakings for collective investment and within the meaning of Article 5 (2) of the law of 12 July 2013 on alternative investment fund managers. ECP is authorized to manage UCITS approved in accordance with Directive 2009/65/EC and to manage AIFs.

The Remuneration Policy belongs to ECP's corporate governance obligations and takes into account the nature, size, scope, complexity, and internal organization of activities of ECP. The principles underlying this Remuneration Policy are implemented by ECP's Board of Directors and the Remuneration Policy is reviewed each year.

The Directors and Senior Management of ECP also ensure that all employees have the necessary qualifications, knowledge and expertise to carry out the responsibilities and tasks entrusted to them.

In its current operating model, the Supervisory Function should ensure that ECP's Policy is consistent with and promotes sound and effective risk management.

The Policy should:

- Be in line with business strategy, objectives, values and interests of ECP and the funds that it manages and of the investors in such funds, in line with ECP's role as a Management Company, help the investment manager to prevent excessive risk taking as compared to their investments policy for the UCITS and AIFs;
- Enable ECP to align the interests of the UCITS and AIFs and their investors with those of the Identified Staff that managers such UCITS and AIFs, and to achieve and maintain a sound financial situation

### Identified Staff

The following ECP categories of staff are considered as Identified Staff, after taking into account the clear distinction between operating and control functions, the skills and independence requirements of members of the management body and the role performed by internal committees.

#### Board Members

The Board of Directors is composed of 6 Directors (1 Independent Director). Except for the Independent Director/s (paid in line with the written agreement between themselves and ECP), Board Members do not receive variable remuneration paid by ECP for their function as Board Members.

#### Senior and executive management

- Conducting Officers (6)
- Control functions:

- Compliance Officer/ Data Protection Officer/ MLRO Manager (1)
- Risk Manager (1)

ECP (as of November 2021) employs 13 individuals, 6 of whom would fall under the definition of Identified Staff for the scope of the Policy.

All processes and procedures must meet the requirements of current employment legislation, Governance and diversity, equality & inclusion requirements. All processes and procedures will be equitable, fair and auditable. Employees will be treated with courtesy and respect throughout all processes.

All employees involved in the processes and procedures covered by this policy must consider whether their family and other personal relationships create any actual or potential conflicts. For further information please refer to the Conflicts of Interest Policy.

Internal audit is excluded since this function is currently outsourced.

Moreover, given the fact that Sales staff are not able to take decisions on their own to approve new business and cross-selling opportunities, ECP considers that its Sales' activities are limited by upper hierarchy level and do not have an impact on the risk profile of the management company according to UCITS V Law and AIFM Law.

### **Proportionality Principle**

The UCITS V Directive and the ESMA Guidelines envisage that the provisions should operate in such a way as to enable a management company to take a proportionate approach to compliance with a remuneration principle.

In view of the size of the assets underpinning the clients to whom it provides services, as well as the nature of the investment policies and strategies, the complexity and size of its organization, ECP has decided to apply the proportionality principle in light of its own characteristics as Company.

### **Basic Remuneration Principles**

The Policy is consistent with and promotes sound and effective risk management and does prevent risk-taking including sustainability risks which is inconsistent with the risk profiles, management regulations or instruments of incorporation of the funds managed by ECP. The Policy is in line with the business strategy, objectives, values and interests of ECP.

The remuneration principles of the present policy apply to any benefit of any type paid by ECP to any amount paid directly by the UCITS itself, including performance fees, and to any transfer of units or shares of the UCITS, made for the benefit of Identified Staff.

Staff members engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas they control.

Performance and achievement of objectives are assessed by formal annual evaluation, the results of which will contribute to the determination of the remuneration and the level of any discretionary performance bonus.

The employees, at all levels, will be assessed on criteria based on qualitative and quantitative objectives.

Fixed and variable components of total remuneration, as described in more detail in the following ECP – Remuneration Policy

sections, 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.

Payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

### **Fixed Remuneration**

Remuneration paid to the Staff including Identified Staff shall be in the form of an annual salary and related benefits. The fixed remuneration will take into consideration the diplomas, the background, the level of Expertise and the salary benchmark for each individual.

The Fixed Remuneration is annually revised.

### **Variable Remuneration/ Deferral/ Clawback**

The variable remuneration may be discretionary or based on a pre-agreed-upon remuneration scheme. If the variable part is discretionary, it is then capped to a 3-month salary. The non-discretionary variable part is correlated with the performance and flows of assets of UCITS and/or AIF structures (the **Funds**) managed by ECP. In the latter case, the total amount of remuneration is based on a combination of the assessment of the performance of the employee and of the Fund concerned, and of the overall results of ECP. The variable portion is deferred over time; a claw-back scheme is also in place.

### **Discretionary Bonus**

All Staff, including Identified Staff, may be eligible to receive variable remuneration in the form of a discretionary bonus (the "Discretionary Bonus"), under the terms of their employment contract. Guaranteed variable remuneration is exceptional and awarded only in the context of hiring new staff and only for the first year. The Discretionary Bonus is awarded on the basis of the performance of all staff in respect of performance targets and goals established during the annual performance evaluation process. Each individual will be evaluated on the performance realised and objectives achieved during the end of year review by the Line Manager.

The Discretionary Bonus is paid only if it is sustainable according to the financial situation of ECP as a whole, and is justified according to the performance of ECP and the individual concerned.

The Discretionary Bonus is deferred and may be reduced in the event that ECP is loss-making at time of the Discretionary Bonus (malus). Any Discretionary Bonus awards which have been deferred will be forfeited by the recipient should the employee concerned resign prior to the payment date of the Discretionary Bonus awarded.

In order to ensure the effectiveness of risk alignment, staff members should not buy an insurance contract which compensates them in the event of a downward adjustment in remuneration. As a general rule, however, this would not prohibit insurance designed to cover personal payments such as healthcare and mortgage instalments (provided that the mortgage coverage concerns health-related circumstances that would render the staff member unable to work in an equivalent position), although each case should be judged on its merits.

The requirement not to use personal hedging strategies or insurance to undermine the risk alignment effects embedded in their remuneration arrangements should apply to deferred and retained variable

remuneration. Management companies should maintain effective arrangements to ensure that staff members comply with this requirement.

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements laid down within the UCITS V Law and the AIFM Law.

### **Ex post incorporation of risk**

ECP reserves the rights to reassess or withhold the amount of variable remuneration allocated (“malus”) to its Identified Staff who cannot benefit from the individual proportionality, in the following conditions:

- Evidence of misbehaviour or serious error by the staff member;
- Whether the UCITS/AIFs and/or the management company and/or the business unit subsequently suffers a significant downturn in its financial performance;
- Whether the UCITS/AIFs and/or the management company and/or the business unit in which the staff member works suffers from a significant failure of risk management.

ECP also reserves the rights to demand full or partial repayment from the individual (“clawback”) to its Identified Staff who cannot benefit from the individual proportionality, in the following conditions:

- Fraudulent conduct of staff member;
- Misleading information by a staff member;
- Breach of AIFMD/ UCITS V Directive or ESMA Guidelines.

### **Reporting**

HR will formally report to the Board of ECP in respect of the adherence to the Policy.

### **Roles of Control Functions**

Management companies should ensure that control functions have an active role in the design, ongoing oversight and review of the remuneration policies for other business areas.

Working closely with the Board of Directors and management body, the control functions should assist in determining the overall remuneration strategy applicable to the management company, having regard to the promotion of effective risk management.

The Compliance Officer of ECP analyses how the remuneration structure affects the ECP’s Compliance with legislations regulations and internal policies.

The internal Audit function carries out, at least annually, an independent audit of the design implementation and effect of the Policy.

### **Delegated Investment Management Functions**

ECP, having delegated investment management functions, will ensure that Delegates are subject to Regulatory requirements that are equally as effective as those applicable to ECP (e.g. CRD IV, AIFMD or UCITS V and SFDR); or

Appropriate contractual arrangements are in place with the Delegates to ensure that there is no circumvention of the remuneration rules applicable to ECP.

### **Internal Disclosure**

The remuneration policy is accessible to all staff members of ECP upon request. ECP ensures that the

information regarding the remuneration policy disclosed internally reveals at least the details which are disclosed externally.

The appraisal process should be properly documented and should be transparent to the member of staff concerned.

### **External Disclosures**

Extract of the policy is made available on the website of ECP.

Accounting provisions established to cover the potential cost of any Discretionary Bonus which may be awarded will be disclosed in the notes to the audited financial statements of ECP, in line with applicable Luxembourg accounting practices and laws.

Appropriate and regulatory required disclosures are included not only in the respective Annual reports of UCITS/AIFs, but also in the KIIDs and prospectus of each UCITS funds.

### **Review and update**

The Policy is subject to annual review by the Compliance Officer and the update is performed by HR department of ECP and is presented for approval by the Board of ECP.

The periodic review of the implementation of the remuneration Policy may be, partially or totally, externally commissioned, where appropriate. The Board of Directors remains responsible for the review of the remuneration Policy and for ensuring that the results of the review are followed up. Moreover, the relevant control functions should be closely involved.

### **Conflicts of Interest**

The policy has been designed and implemented in a way to avoid any potential conflict of interest-should nevertheless any potential arise, the implemented Conflicts of Interest Policy of ECP should apply and such potential conflict should be reported to Compliance in order to be logged and properly addressed and mitigated as foreseen in the policy.

### **SFDR Requirements**

As per article 5 of SFDR, Financial Market Participant including UCITS Management Companies and AIFMs, are required to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites.

The respect of ECP ESG policy is taken into account when considering variable remuneration of employees and non-respect of ESG policy could have a negative impact on their variable remuneration.

As outlined previously, ECP's employees who are identified as risk-takers under UCITS V and AIFMD are not remunerated (fixed and variable remuneration) based on the performance of the funds under management. Based on the limited impact of variable remuneration of the employees identified as risk-takers on the risk profile of the Funds and the nature of the business of the ECP, ECP assessment is that there is no risk of misalignment with the sustainability risks associates with the investment decisions making process of ECP in respect of the Funds.

As mentioned above, ECP delegates portfolio management activity to some of its Funds to a qualified portfolio manager. Where the delegation takes place, ECP is ensuring that the portfolio manager adopts remuneration policies and procedures which are consistent with the integration of sustainability risks, when sustainability risks are integrated into the investment decision making process. ECP will perform

periodic oversight and seeks confirmations from each delegate portfolio manager that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability.

Where a Financial Advisor is appointed, ECP is ensuring that the Financial Advisor adopts remuneration policies and procedures which are consistent with the integration of the sustainability risks.

A hard copy of this Remuneration Policy is available at no cost upon request:

- By e-mail to [info@ecp.lu](mailto:info@ecp.lu)

By mail to the following address: European Capital Partners (Luxembourg) S.A., 35A, avenue John F. Kennedy, L-1855 Luxembourg