

**Remuneration Policy**

**Scope of application: LRI Invest S.A.**

**Valid on: 20/05/2021**

**1. Glossary**

AIFMD	Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010
LRI / the Company	LRI Invest S.A.
Compliance Officer	Person in charge of the Compliance function
Control function	Control function as defined by AIFMD
Board	Supervisory Board of the Company
Delegate	Entity to which Portfolio Management or Risk Management activities have been delegated by the Company
Identified Staff	Members of the Board, Senior Management, Control Functions and any employee receiving a remuneration that is equal to or greater than the total remuneration of Senior Management, as well as staff members whose professional activities can exert material influence on the Company's risk profile or on a fund it manages, and categories of staff of the Delegate(s), whose professional activities have a material impact on the risk profiles of the funds that the Company manages.

Policy	This remuneration policy, as amended from time to time.
Remuneration Committee	LRI established a Remuneration Committee consisting of 2 Board members, 1 Managing Director, 1 Compliance Officer and 1 representative of HR.
Senior Management/Management Board	Management Board of the Company
Department Heads	Employees, who are responsible for tasks and staff in a specific department

## 2. Applicable laws and regulations

<b>Law</b>	Law of 12 July 2013 on Alternative Investment Fund Managers Law of 17 December 2010 relating to undertakings for collective investments
<b>Guidelines</b>	<ul style="list-style-type: none"> <li>- Guidelines on sound remuneration policies under UCITS V Directive (ESMA 20216/579) and AIFMD (ESMA/2013/232 and ESMA/2016/579)</li> <li>- EU Sustainable Finance Disclosure Regulation 2019/2088 (SFDR)</li> <li>- Commission de Surveillance du Secteur Financier (CSSF) Circular 10/437</li> </ul>
<b>Recommendations</b>	- 2009/384/EC of the EU Commission of 30 April 2009
<b>Q&amp;A</b>	- ESMA Questions and answers on the application of the AIFMD (ESMA34-32-352)

## 3. Area of application, Responsibilities and Principles

The remuneration policy of LRI Invest S.A. applies to all employees, the Managing Board, the Board of LRI and Identified Staff including its subsidiaries. This document replaces all previous regulations on this Policy and is effective immediately.

The Managing Board of LRI is responsible for the implementation of this remuneration policy (the “Policy”) and reviews it annually to ensure that it is up-to-date and appropriate. The Managing Board submits this Policy and any changes to the Board for approval. The Board regularly ensures that LRI has an appropriate remuneration policy and corresponding procedures in place. The Board also ensures that there are no remuneration practices that are intended to circumvent the provisions of this Policy.

Once a year, the implementation of this Policy is subject to a central and independent review by LRI's internal control functions, which are responsible for monitoring compliance with the defined policies and procedures in coordination with the Remuneration Committee. The internal control function's report to the Managing Board and the Remuneration Committee on the results of this review. The Managing Board reports to the Board on the reports of LRI's internal control functions during the regular Board meetings. A copy of the report is sent to the CSSF.

This policy is designed to attract and retain highly qualified staff, to recognise excellence, to encourage the contribution of each individual and to motivate staff to professionally develop. A further aim is to reconcile the interests of employees with those of LRI and its shareholders.

This Policy also aims to ensure sound and effective risk management including sustainability risks and to avoid creating incentives to take excessive risks. The remuneration policy shall provide employees with a fair combination of fixed and variable remuneration that reflects the role and responsibilities of the function concerned and contributes to promoting appropriate behaviour and avoiding conflicts of interest.

This Policy plays an important role in the implementation of the LRI's business objectives in terms of sustainable growth prospects and is central to the development of its employee base and quality of service to clients and investor protection. It is also consistent with the interests of clients and managed funds. To the extent that LRI has outsourced portfolio or risk management functions, it will ensure that these delegates have comparable arrangements in place regarding this Policy.

Fixed and variable components of the total remuneration, as described in more detail in the following 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.

#### 4. Remuneration structure

Remuneration policy provides for fixed and variable remuneration components.

These two components are defined as follows:

Total remuneration	
Fixed remuneration	Variable remuneration
Basic salary	Special payment / target or discretionary bonus
June premium and 13. monthly salary or fixed bonus (Festtantieme)	Retention or incentive payments
Meal vouchers	Commission payments
Interest subsidies (optional)	
Company car (optional)	
Company pension scheme	

Each employee is appropriately remunerated by the fixed remuneration; the variable remuneration therefore only represents additional remuneration. Furthermore, an appropriate balance between fixed and variable remuneration components should be maintained.

Known risks are in the reserves of LRI already taken into account. The risks have an impact on the operating result in such a way that they reduce the assessment basis for any special/bonus payments.

In view of the size of the assets underpinning the clients to whom LRI provides services, as well as the nature of the investment policies and strategies, the complexity and size of its organisation, LRI decided not to apply the proportionality principle in light of its own characteristics as Company to all staff, except for cases where Identified Staff exceeds the cap on the variable remuneration. Up to this cap on variable remuneration, LRI is not exposed to higher risk at the individual staff level. Therefore the proportionality principle may only be applied at the level of the Identified Staff by following the below principles.

a. Identified Staff, whose total variable remuneration is lower than € 200k or lower than 150% of their fixed remuneration will receive their variable remuneration in cash, split in two tranches, e.g. bonus payable in August (Year N) and February (Year N+1). Individually payment dates might be agreed and applied for retention or incentive payments.

b. Identified Staff, whose total annual variable remuneration is higher than € 200k and equal or higher than 150% over their fixed remuneration will receive their variable remuneration with respect to the following applicable regulatory principles:

- At least 50% of the variable components consist in instruments, unless the management of UCITS/AFs accounts for less than 50% of the total portfolio managed by the management company, in which case the minimum of 50% does not apply. This applies equally to both the non-deferred and the deferred parts of the variable remuneration.
- The instruments referred to in the previous point are subject to an appropriate retention policy designed to align incentives with the interest of the management company and the UCITS/AIFs it manages, and the investors of the UCITS/AIFs.
- 40% of the variable component is deferred with a minimum deferral period of 3 to 5 years unless the lifecycle of the UCITS/AIFs concerned is shorter. Remuneration payable under deferral arrangements vest no faster than on a pro-rate basis. In the case of a particular high amount, at least 60% of the amount is deferred.

The variable remuneration for Sales staff is capped at 250% based on the fixed remuneration.

## **5. Processes relating to the determination of variable remuneration**

Whether and in what amount variable remuneration is granted depends on the relevant financial results and the individual performance of the employee.

The amount made available for bonus payments is determined by several criteria like active employment, eligibility, seniority, base salary and the performance in the previous 6 months documented in the bi-annual review process. Once the financial results have been established, the Managing Board uses those criteria to determine the total amount of variable remuneration to be paid out and how to allocate it.

The Board decides on the amount of the variable remuneration of the members of the Managing Board. The portion of the bonus amount paid to the Managing Board is deducted from the total amount available for bonus payments at LRI.

Subsequently, the variable remuneration to which each employee is entitled is determined by the procedures laid down in the bonus system.

In addition or as an alternative to the procedures established in the bonus system, the Managing Board may enter into a separate commission plan with individual employees, which governs the determination of variable compensation. The basis for determining the bonus/commission payments due may be the performance evaluation according to the scheme mentioned above and/or the evaluation of performance against measurable criteria (e.g. acquisition/revenue volume).

Guaranteed variable compensation is only granted in exceptional cases mostly in the event of new hires. They relate to the first year of service after recruitment.

The Heads of the departments of Internal Audit and Risk Management as well as the Compliance Officer of LRI are excluded from the above-mentioned regulation to the extent that the bonus payable to these control bodies, if any, is based solely on their individual performance and to no extent on LRI's business results.

The Company ensures that performance is considered to determine the amount of bonus to be allocated to the employees. It takes into account the full range of current and potential risks associated with activities undertaken. The total amount of remuneration shall be based on a combination of performance assessment of the individual, the business unit or fund concerned, and of the overall results of the Company.

The Remuneration Committee will determine and oversee the total remuneration of Identified Staff. The applied principals will remain the same as for other staff, with the exception that the Remuneration Committee, and not the Board or the Management Board, as the case may be, will validate the final ratings and bonus amounts. The decisions on ratings and bonuses will be formally ratified by the Management Board of LRI.

## **6. Instruments of variable remuneration and performance assessment**

### ***6.1 Special/bonus payments***

The variable remuneration of LRI is generally performance related. The Board decides on whether the members of the Managing Board receive variable remuneration or not and on the amount. This decision is based on the performance of the relevant member of the Managing Board and of LRI/Apex Group. The Board will take a multi-year perspective into account in the evaluation.

The assessment of employees' performance is the responsibility of their direct superiors in the bi-annual review meetings. The bi-annual appraisals are part of the evaluation of the achievement of objectives. The amount of the bonus is determined using the internal assessment scheme and can also be zero if the performance assessment is negative/not satisfactory. The performance of LRI/Apex Group is considered in the calculation of the overall available bonus amount.

With regards to the Management Board and Department Heads, this decision also takes into account the performance of the department / organisational unit (OU). In addition to the performance of the individual employee and his or her job description, compliance with internal

and external compliance and corporate governance requirements is also taken into account in this decision.

Evaluation includes among other things:

- Compliance with internal regulations and processes
- Conformity with LRI's systems and controls
- Compliance with standards in dealing with customers and investors.

Possible infringements in this respect are taken into account in the annual assessment.

### ***6.2 Retention and incentive payments***

This Policy provides that, in the case of retention and incentive payments in connection with early termination of a contract, these variable remuneration components are linked to the actual performance of the employee and are designed in such a way that no rewards are given for misconduct. Retention and incentive payments are also made entirely without any deferment of the paid out.

### ***6.3 Commission payments***

This Policy also caters for commission payments, which are provided to sales staff and other employees contributing to revenue growth by selling additional services. New business is taken on board only when the appropriate committees have signed off. Commission payments are due, once the first invoice is paid by the client and spread over two years.

## **7. Recovery of variable remuneration**

Bonus payments for services whose assessment based on data that subsequently turned out to be materially incorrect or manipulated can be reclaimed in whole or in part by LRI.

## **8. Governance / remuneration of the Board**

The Board approves the special payments and salary increases of the Managing Board. The Chairman of the Board and each member of the Board may receive an appropriate fixed annual Board remuneration plus reimbursement of travel expenses and out-of-pocket expenses in

connection with travel to a Board meeting. The Board does not receive any variable remuneration in any form.

## **9. Remuneration Committee**

LRI is mindful of the requirement of a Remuneration Committee in particular due to the size of the Company as well as the size of the funds managed. The Remuneration Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of LRI, and the funds concerned, which are to be taken by the Board.

The Remuneration Committee consists of two Board members, one Managing Director, the Compliance Officer, a representative from HR and such other individuals as may be appointed by the Management Board from time to time.

The Remuneration Committee meets at least once a year to review the Remuneration Policy, and it's application as well as to assess any other issues or risks arising from the remuneration framework relating to the Company.

### **9.1 Reporting**

HR will formally report to the Management Board, the Remuneration Committee and the Board of LRI in respect of the adherence to the Policy, any Discretionary Bonus paid in one calendar year which is in excess of 10% of the annual salary of any Identified Staff member concerned, and the compliance with the rules to this Policy for payments to Identified Staff.

## **10. Application of the remuneration rules to the Delegate(s)**

When delegating portfolio management or risk management activities, the Company ensures that:

- a) the Delegate is subject to regulatory requirements on remuneration that are equally as effective as those applicable under AIFMD;

In this respect, ESMA has considered in its guidelines that an entity can be considered subject to regulatory requirements on remuneration that are equally as effective, 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 AIFMD or Directive 2009/65/EC (UCITS), 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 or UCITS Directive, Directive 2009/65/EC, rules.

b) In other cases, contractual arrangements are put in place with the Delegate to ensure that there is no circumvention of the remuneration rules set out in the AIFMD. These contractual arrangements cover any payments made to the Delegate(s)' Identified staff as compensation for the performance of portfolio or risk management activities on behalf of the Company.

b) Decisions taken by risk carriers (see under 10.2) comply with the EU Sustainable Finance Disclosure Regulation 2019/2088 as applicable and appropriate.

## **11. Adequacy of type and scope of the remuneration policy**

### **11.1 General principles**

In setting this Policy, all aspects relating to LRI's strategy and risk taking, the size and internal organisation of LRI and the nature, scope and complexity of LRI's activities have been taken into account. The lower limit for the fixed salary component has been set at a sufficiently high level.

This policy will be reviewed at least on an annual basis and updated as necessary to ensure that it is adapted to the evolution and risk profile of LRI.

### **11.2 Risk carriers of LRI**

LRI's business model is such that LRI operates a commission-driven business model. It administers funds and provides fund services on behalf of third parties (investors, investment advisors, institutional investors, etc.). In principle, LRI does not collect any performance-related remuneration in any form for the management of the funds. For the most part, no independent

active fund management is conducted, so that no active risks can be taken by LRI without consulting the external fund manager or investment advisor.

For this reason, only the Managing Board of LRI falls under the so-called risk carriers. A detailed explanation of this can be found in the Appendix to this Policy.

## **12. Disclosure**

### **12.1 External disclosure**

➤ Disclosure at the level of the funds

The annual report of the funds issued by the Company will contain at least the following information:

- The total remuneration for the financial year (split into fixed and variable remuneration) paid by the Company to the entire Staff and number of beneficiaries and, where relevant, carried interest paid by the fund it manages;

In this respect, the annual report will also specify whether or not the total remuneration relates to any of the following:

- The total remuneration of the entire Staff of the Company, indicating the number of beneficiaries; or
  - The total remuneration of those Staff of the Company who are fully or partly involved in the activities of the fund, indicating the number of beneficiaries; or
  - The proportion of the total remuneration of the Staff of the Company attributable to the fund, indicating the number of beneficiaries.
- Aggregate amount of remuneration broken down by Senior Management and other Identified Staff members.

The remuneration disclosure, when possible, will report an allocation or breakdown in relation to each fund managed by the Company and a description of how the allocation or breakdown has been performed.

### **12.2 Internal disclosure**

The Company ensures that the Policy is accessible to all employees. The Company also ensures that at least the details externally disclosed are also revealed internally.

The criteria used to determine the remuneration are communicated to each employee and the appraisal process adopted is documented and transparent.

Confidential qualitative information will never be subject to internal disclosure.

### **13. Document retention**

The Senior Management is responsible for the retention of the following documents (electronic or hard copies):

- Copies of labour agreements between the Company and its staff;
- Copies of the appraisals for each staff member;
- Copies of the decisions on allocation of variable remuneration to the staff member;
- Copy of the assessment as regards the list of members of the Identified Staff.