
Remuneration

Policy

Version 5.0

31/01/2020

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 and Luxembourg 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 ("ESMA guidelines").

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 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.

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

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 to set up a remuneration committee at Board level.

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, 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

MUFGLM 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 an extract of the remuneration policy is made available on the website of MUFGLM.

The full Policy is at the disposal of the Commission de Surveillance du Secteur Financier ("CSSF"), the board of MUFGLM, the internal audit function and human resources.

6. Fixed remuneration

6.1. Scope

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

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.

6.2. Beneficiaries of a fixed remuneration

a) Board members

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

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.

7. Variable remuneration

MUFGLM 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 MUFGLM as a whole, or of the Group.

The decision to allocate a variable remuneration to MUFGLM'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.

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.

7.2. 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.

7.3. Ratio fixed vs. variable remuneration

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.

7.4. 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.