

## Legal Entity Policy Vontobel Asset Management S.A.

### Remuneration

#### General information

<b>Scope of application</b>	Vontobel Group: <input type="checkbox"/> Legal Entities: Vontobel Asset Management S.A. Business-/Support-Units: <input type="checkbox"/> AM <input type="checkbox"/> IB <input type="checkbox"/> WM <input type="checkbox"/> CS <input type="checkbox"/> FR <input type="checkbox"/> OP
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#### Content information

This policy contains a summary of the remuneration rules applicable to Vontobel Asset Management S.A. according to application regulations. It applies to all employees of VAMSA (head-office and branches).

#### History

ISSUANCE DATE	POLICY OWNER	REVISION TYPE	CHANGES
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12 <sup>th</sup> Dec. 2018	---	Annual review	New Layout
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## Table of Content

<b>1. Introduction</b>	<b>3</b>
<b>2. Objective and purpose</b>	<b>3</b>
<b>3. Applicable rules</b>	<b>4</b>
<b>4. Delegation</b>	<b>4</b>
4.1 AIF	4
4.2 UCITS	4
4.3 Other entities located in Canada, USA and Japan	4
<b>5. Proportionality principle</b>	<b>4</b>
<b>6. Structure and instruments of employee remuneration</b>	<b>5</b>
6.1 The fixed component of employee remuneration	5
6.2 The variable components of employee remuneration	6
6.2.1 Cash-Bonus	6
6.2.2 Bonus shares	6
6.2.3 Uplift Bonus shares	6
6.2.4 Performance shares	6
<b>7. Principles of Variable Remuneration</b>	<b>6</b>
7.1 Strong performance and contribution to long-term financial success	6
7.2 No guaranteed entitlement to variable compensation	6
7.3 Appropriate balance between fixed and variable remuneration components	6
7.4 Significant part of variable compensation in shares instead of cash	6
7.5 Blocking period of bonus shares (deferred payment)	7
7.6 LTI – Reward for long-term risk-adjusted performance	7
7.7 Action to be taken in case of fraudulent activity	7
<b>8. Performance measurement</b>	<b>8</b>
8.1 Collective performance	8
8.2 The role of the management of business units	8
8.3 Performance of individual employee	8
<b>9. VAMSA Remuneration Procedure</b>	<b>9</b>
9.1 Nomination and Compensation Committee	9
9.2 Bonus pool	9
9.3 Governance at VAMSA	9
9.3.1 The responsibilities of VAMSA Board of Directors	9
9.3.2 The responsibilities of VAMSA Management	9
9.3.3 Compliance function	10
9.3.4 Internal Audit	10
9.3.5 Hedging strategy	10
9.4 Reporting	10
9.4.1 Management meetings	10
9.4.2 Board of Directors Reporting	10
9.5 Publication	10
9.5.1 External Publication	10
9.5.2 Internal Publication	11
<b>10. Entry into Force</b>	<b>11</b>

## 1. Introduction

CSSF circular 10/437 stipulates, "every financial undertaking shall establish, implement and maintain a Remuneration Policy which is consistent with and promotes sound and effective risk management and which does not induce excessive risk-taking".

This Remuneration Policy document is applicable to Vontobel Asset Management S.A. ("VAMSA") acting as the management company / AIFM / UCITS manager (the "Company") for various investment funds with an extended license for some MiFID services.

It is issued to regulate the remuneration<sup>1</sup> in conformity with the requirements of

- CSSF Circular 10/437 ;
- CSSF Circular 14/585, transposing the ESMA Guidelines 2013/606 on remuneration policies and practices (MiFID II);
- Law of 12 July 2013 on Alternative Investment Fund Managers (the "AIFM Law");
- Law of 10 May 2016 transposing the Directive 2014/91/EU (the "UCITS V Law");
- Law of 5 April 1993, as amended, transposing the Directive 2014/65/EU (MiFID II) which enters into force on 3 January 2018;
- Commission Delegated Regulation 2017/565/EC of 25 April 2016 supplementing Directive 2014/65/EU (MiFID II);
- ESMA Final remuneration guidelines 2016/575 (UCITS V) and 2016/579 (AIFMD).

It carves out the key elements of the fixed and variable components of employee remuneration at VAMSA, as well as establishes the link between the remuneration and the business strategy, objectives, values and long-term interests of Vontobel Group. This policy is also in line with the interests of the Company and the AIFs and UCITS it manages and the interest of investors of such AIFs and UCITS in order to avoid conflicts of interest. This policy is further in line with the interests of the Company and MiFID services it provides and the interest of clients to whom MiFID services are offered. MiFID services provided by the Company are the following:

- Discretionary portfolio management
- Investment advice
- Reception and transmission of orders.

The policy explains the principles and methodology applied to performance measurement and describes the governance structure of the related processes.

The Board of Directors of VAMSA has involved specialists external to and independent from the Board into the design of the Policy.

This policy is issued in respect of the Remuneration Policy ("Vergütungssystem der Vontobel") of the Vontobel Group (here-after "the Vontobel Group Policies"). The Vontobel Group Policy applies to the extent, that it does not contradict local laws and regulations

## 2. Objective and purpose

The objective of the policy is to ensure that VAMSA's remuneration practices are:

- consistent with and promote sound and effective risk management and such which do not induce excessive risk-taking;
- consistent with the view that all clients are treated fairly and their interests are not impaired by the remuneration in the short, medium or long term.

This VAMSA remuneration policy applies, to all employees of VAMSA.

In conformity with the methodology applied in CSSF Circular 10/437, AIFM Law, UCITS V Law and ESMA Final remuneration guidelines 2016/575 and 2016/579, the list of those employees who have specifically been identified and categorized as "members of administrative and managerial bodies" or "staff whose professional activities have a material impact on the risk profile of financial undertaking" ("risk-takers") is provided in Annex 4a.

Importantly, the Board members of VAMSA, to the extent that these Board members do not have any other professional activity within VAMSA, are exempt for the application of this policy as they are neither employed nor compensated for their mandate in the Board by VAMSA.

Moreover, Heads of Branches have been subject of a specific evaluation to assess the impact of their activity on the risk profile of the Company according to UCITS V Law and AIFM Law. This evaluation demonstrates that Heads of Branches' activities is limited by upper hierarchy level and do not have an impact on the risk profile of the Company according to UCITS V Law and AIFM Law. This assessment is available upon legitimate request.

In accordance with the methodology applied by MiFID II and the ESMA guidelines on MiFID II, the list of relevant employees with an impact, directly or indirectly, on MiFID services provided by VAMSA or on VAMSA's corporate behavior, regardless of the type of clients, to the extent that remuneration of these employees and similar

<sup>1</sup> In the present policy, the word "Remuneration" includes all forms of financial and non-financial benefits or payments provided directly or indirectly by the Company to its employees, such as cash, shares, options, cancellations of loans at dismissal, pension contri-

butions, remuneration by third parties for instance through carried interest models, wages increase or promotions, health insurance, discounts or special allowances, generous expense accounts or seminars in exotic destinations.

incentives may create a conflict of interest that encourages them to act against the interest of any of VAMSA's clients ("relevant persons") is provided in Annex 4b.

This policy is designed in such a way so as not to create a conflict of interest or incentive, which may lead relevant persons to favor their own interests or VAMSA's interests to the potential detriment of a client.

### 3. Applicable rules

Applicable rules in force are defined as the rules with which the company shall comply in the conduct of its business. The implementation of proxy voting strategy shall take into account the rules in force at local jurisdiction. In particular, reference is made to:

- Law of 10 May 2016 (the "UCITS Law") transposing the EU Directive 2014/91/EC ("UCITS Directive"), as amended from time to time; Law of 12 July 2013 on Alternative Investment Fund Managers (the "AIFM Law") transposing the EU Directive 2011/61/EU ("AIFMD"), as amended from time to time;
- Law of 5 April 1993, as amended, transposing MiFID II, consistent with the view that all clients are treated fairly and their interests are not impaired by the remuneration in the short, medium or long term;
- CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector (the "CSSF Circular 10/437");
- CSSF Circular 14/585 regarding Transposition of the European Securities Markets Authority's (ESMA) guidelines 2013/606 on remuneration policies and practices ("ESMA Guidelines on MiFID II") - Addition of Annex V to Circular CSSF 07/307 (the "CSSF Circular 14/585");
- EU Directive 2014/65/EC ("MiFID II"), as amended from time to time;
- Commission Delegated Regulation 2017/565/EC of 25 April 2016 supplementing Directive 2014/65/EU (MiFID II);
- ESMA Guidelines 2016/575 on sound remuneration policies under the UCITS Directive ("ESMA Guidelines on UCITS V Directive")
- ESMA Guidelines 2016/579 on sound remuneration policies under AIFMD; ("ESMA Guidelines on AIFMD").

## 4. Delegation

### 4.1 AIF

According to ESMA Guidelines on AIFMD, VAMSA ensures that the entity of Vontobel Group in Zurich to which portfolio management activity has been delegated is subject to regulatory requirements on remuneration that are equally as effective as those under the AIFM

Law. Indeed, the Vontobel Group's compensation system is structured in such a way that the interests of all stakeholders are closely aligned and is designed to motivate employees at all levels of the company to achieve shared and individual objectives (Annex 1).

Vontobel Group has decided to comply with the most important points prescribed in the FINMA (i.e. the Swiss Financial Market Supervisory Authority) Circular 2010/1 on remuneration schemes, even if the implementation of these rules is not mandatory in case of the Vontobel Group.

### 4.2 UCITS

Under UCITS V Law, delegation of portfolio management activities has become subject to regulatory requirements. VAMSA delegated portfolio management activities to various regulated entities in various countries, which are listed in the respective prospectuses of the UCITS.

According to ESMA Guidelines on UCITS V Directive, VAMSA ensures that the entities to which portfolio management activities have been delegated, are subject to regulatory requirements on remuneration that are considered equally as effective as those under the UCITS V Directive:

- Vontobel entity located in Zurich, subject to FINMA regulation
- External entities (outside Vontobel Group) located in Switzerland subject to FINMA regulation
- External entity (outside Vontobel Group) located in the UK.

### 4.3 Other entities located in Canada, USA and Japan

For other entities located in Canada, USA and Japan, to which portfolio activities has been delegated, VAMSA ensure that appropriate contractual arrangements have been put in place in order to ensure that there is no circumvention set out in the present remuneration policy and in the applicable regulation.

When outsourcing the provision of investment services, VAMSA should have in mind the best interests of the client. Where VAMSA is seeking to use another firm for the provision of services it should check that the other firm's remuneration policies and practices follow an approach consistent with the remuneration requirements of the CSSF Circular 14/585, Regulation EU 2017/565 and MiFID II (as transposed by the Luxembourg Law). A list of delegated core functions is attached in Annex 5.

## 5. Proportionality principle

VAMSA, after a self-assessment, complies with the requirements in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of its activities and products. The self-assessment has been performed in view of the following criteria:

- Total number of AIFs / UCITS managed
- Assets under management for AIF;
- Assets under management for UCITS;
- Complexity of products;
- Country registration status of products;
- Cross-border activities;
- Licenses;
- Internal organization;
- Delegation;
- Number of branches and
- Number of employees

Considering the level of UCITS asset under management and the complexity analysis performed on the funds, VAMSA judges that proportionality principle will not be applicable at the level of the Company.

Therefore, the following principles remain applicable to Identified Staff listed in Annex 4a:

The requirements on payout processes for Identified Staff including:

- a The payment of variable remuneration in instruments related mainly to the UCITS or AIF(s) in relation to which they perform their activities;
- b Deferral requirements;
- c Retention periods;
- d Expost incorporation of risk (Malus).

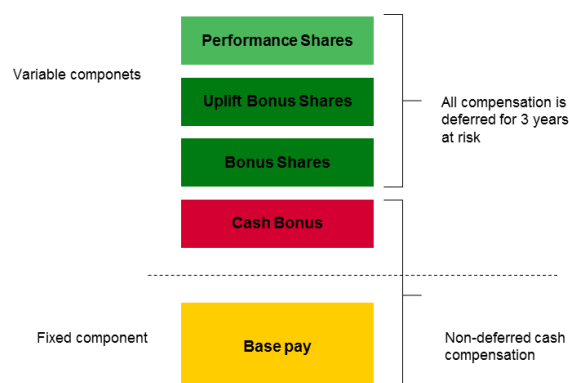
The above listed requirements apply to such members of Identified Staff only who receive more than 500,000 euros as annual total compensation.

VAMSA will rely on the Vontobel Group Nomination and Compensation Committee, which performs its tasks and duties for the whole group (please see point 9.1 of the present remuneration policy).

## 6. Structure and instruments of employee remuneration

The Structure of Employee Remuneration at VAMSA is based on a division of global compensation into fixed (6.1.) and variable components of remuneration (6.2.).

The Structure of Employee Remuneration at VAMSA (as well as in the Vontobel Group) is based on the application of the instruments illustrated in Picture 1 below.



Picture 1: The Structure of Employee Remuneration

### 6.1 The fixed component of employee remuneration

The fixed component, i.e. "base pay", of global compensation of employee remuneration encompasses the following elements:

- base salary
- Fringe benefits

The base pay of each employee is defined in the employment contract. The base pay comprises the monthly fixed salary and the fringe benefits, which are granted depending on the employee's position within the company.

The base pay is provided to each employee as primary means to provide compensation for good execution of the tasks or function which each employee is assigned for as well as to reflect the seniority of each employee's position.

The base pay is determined based on benchmarking and comparisons of compensation levels and set at a level, which guarantees the employees standard of living. The internal increases of base pay are based on Check-and-Balances-processes by means of which the employee's fixed remuneration is compared with the base pay of other employees in similar position and with corresponding experience.

It is the policy of the Vontobel group not to compensate exceptional employee performance by means of increase of base pay. Instead, the variable component of remuneration is used for this purpose in accordance with the Remuneration policy of the Vontobel group (Compensation Report Annex 1).

The range of fringe benefits potentially available to employees may vary based on location. Mainly, these benefits are composed of supplementary pension schemes with a local pension providers, company cars, luncheon vouchers, favorable conditions for dealing in Vontobel funds, additional holidays, mobile phone / telephone expenses and parking lot / public transportation reimbursements.

## 6.2 The variable components of employee remuneration

The variable remuneration is based on the performance of Vontobel Group, the relevant business unit's share in the overall results and on individual's results. In accordance with the Remuneration policy of the Vontobel group (Compensation Report in Annex 1), the global remuneration of VAMSA employee may include one or several of the following variable components of remuneration:

- Cash bonus
- Bonus shares (incl. Uplift Bonus Shares shares)
- Performance shares

### 6.2.1 Cash-Bonus

Refers to variable compensation paid to employee in cash.

### 6.2.2 Bonus shares

Refer to employee's entitlement to receive shares of the parent company of VAMSA, Vontobel Holding AG, listed in a regulated stock exchange of Zürich, as means of variable compensation. These shares are issued at a discounted accepted value of 80% of the relevant stock exchange price. A blocking period of three years is applied to all Bonus shares.

### 6.2.3 Uplift Bonus shares

Uplift Bonus shares are those bonus shares, which are additionally allocated to an employee based on a discounted accepted value of 80% of bonus shares of the relevant stock exchange price. A blocking period of three years is applied to all Uplift Bonus shares.

### 6.2.4 Performance shares

Performance shares are additional shares allocated free-of-charge three years after reception of bonus shares to employees who hold bonus shares, depending on the business performance of Vontobel Group.

In a matter of principle, all VAMSA employees may be eligible to receive all the variable components of remunerations in addition to their fixed compensation.

The description of variable components of remuneration above is considered as exhaustive. Especially, in accordance with the Remuneration policy of the Vontobel Group, no stock option schemes are available to employees.

## 7. Principles of Variable Remuneration

### 7.1 Strong performance and contribution to long-term financial success

The variable components of remuneration are established to compensate strong employee performance and contribution to long-term sustainable financial success of Vontobel.

The Vontobel Group's compensation system is designed to successfully motivate employees at all levels of the company to realize or even exceed ambitious short, medium and long-term strategic objectives. With its several variable components of compensation, it is geared towards rewarding positive future performance of the Vontobel Group while not inducing excessive risk-taking.

The financial and non-financial criteria of employee performance as well as the link between performance assessment and long-term interests of Vontobel are demonstrated in the Chapter 8.

### 7.2 No guaranteed entitlement to variable compensation

The employee's entitlement to variable components of compensation is not guaranteed. VAMSA may withhold the payment of variable compensation entirely or partly when performance criteria are not met by the individual concerned, the business unit concerned, VAMSA or the Vontobel Group. The payment of variable compensation may also be withheld where the financial situation deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern.

Guaranteed payments (e.g. welcome bonus) can only be used in exceptional circumstances (i.e. only when hiring new staff), and is limited to the first year of employment.

The payments related to the early termination of a contract, which are awarded on a contractual basis, are designed in a way that corresponds to the employee effective performances during the employment period and that does not reward failure.

### 7.3 Appropriate balance between fixed and variable remuneration components

VAMSA is deemed to apply an appropriate balance between fixed and variable remuneration components so that the remuneration structure does not favor the interests of the Company or its relevant persons (according to MiFID II) against the interests of any client

The base salary 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.

### 7.4 Significant part of variable compensation in shares instead of cash

In accordance with the Remuneration policy of the Vontobel Group (Annex 1), all employees of Vontobel Group receiving bonus payment are entitled to participate on a bonus share program. Based on this program, a significant part of the variable components of remuneration can be allocated in shares, instead of cash.

Each employee is entitled to receive twenty-five per cent (25%) of the bonus allocated in bonus shares. Due to

the uplift-bonus shares allocated based on the discounted accepted price of 80% of bonus shares, the value of shares represents a proportion of over 31 per cent ( $25\% * 10/8 = 31.25\%$ ) of total value of variable compensation by the time of issue. Furthermore, as evidenced in Annex 3, the allocation of LTI (performance shares) to all bonus shareholders after three years, further raises this proportion to a level which is historically above 50% (average 52%).

It is mandatory for an employee whose bonus amount equals or exceeds CHF 100,000 to draw twenty-five per cent (25%) of exceeding amount in form of bonus shares. The corresponding effect of discounted price of 80% of bonus shares and allocation of LTI after three years raise the proportion of deferred part compensation significantly. As described above, due to the uplift-bonus shares allocated based on the discounted accepted price of 80% of bonus shares, the value of bonus shares allocated to twenty-five per cent (25%) represents a proportion of over 31 per cent ( $25\% * 10/8 = 31.25\%$ ) of total value of variable compensation by the time of issue.

The members of the Group management are obliged to obtain 50% of the entire bonus amount in form of bonus shares. The corresponding effect of discounted price of 80% of bonus shares and allocation of LTI after three years raise the proportion of deferred part compensation significantly.

#### **7.5 Blocking period of bonus shares (deferred payment)**

The bonus shares program is designed to transform compensation received based on short-term success into long-term compensation which is deferred "at risk" of employee for a limited period.

A blocking period of three years is applied to all bonus shares. The blocking period is purposefully linking the employee compensation allocated in bonus shares to future success of the Vontobel group as well as exposing the value of such compensation to Down-Side-Risk of negative future financial development of Vontobel. He/she benefits directly from the positive performance of the value of Vontobel share price while carries a financial risk directly linked with the depreciation of value of Vontobel share price (market risk).

If an employment is terminated due to the employee's notice, or with or without notice from the employer, or upon termination by mutual agreement, the blocking period of the bonus shares applies unchanged. If an employment is terminated due to one of the above-mentioned reasons and within three years upon allocation of the relevant bonus shares, the employee loses any entitlement to performance shares. The employee is not entitled to any compensation.

#### **7.6 LTI – Reward for long-term risk-adjusted performance**

The performance shares are the key component of long-term compensation ("LTI").

Through its Long-Term Incentive Plans, Vontobel Group systematically rewards the sustained achievement of good financial results in combination with a relatively low risk profile more generously than the achievement of good financial results in combination with a comparatively higher risk profile. The compensation system introduced by the Vontobel Group is structured in such a way as to align the interests of all stakeholders as effectively as possible.

The performance shares are allocated based on a performance- and risk-weighted mathematical formula. The performance is determined based on the return on equity (ROE) during of three years (performance period). The ROE target value depends on the ration between the core capital and the risk-weighted as-sets of Vontobel Group (BIS Tier 1 ratio). In case of lack of successful financial performance, no performance shares are rewarded.

The BIS Tier 1 ratio affects the amount of performance shares to be allocated in a systematic, transparent and direct way while it links the achieved performance to the level of risk entered into. The performance relevant for the allocation of performance shares is calculated based on the average ROE (three-year average) and the average of the BIS Tier 1 ratio (average of six semi-annual figures) during the performance period.

The exact number of performance shares in percentage of the number of bonus shares is contained in the table of the Annex 2 "Regulations Share Participation Plan of Vontobel Group".

The allocation of performance shares is deferred. Each holder of bonus shares is entitled to obtain additional shares three years after he/she is allocated bonus shares. Only upon being transferred the performance shares does the participant become the holder of the performance shares and receives all shareholder rights. The receipt of performance shares is free of charge.

This performance shares are only a part of individual bonus. Although this bonus is only based on quantitative criteria, all other parts of the individual bonus are based on a mix of qualitative and quantitative criteria.

Discretionary pension benefits:

There is no discretionary pension policy.

#### **7.7 Action to be taken in case of fraudulent activity**

The Vontobel Group reserves the right to, and if deemed necessary, will take action against an Employee who has engaged in fraudulent activity based on which he/she has been rewarded variable compensation.

Such corrective measures will be applied to relevant persons for whom it appears that they did not act in the interest of the client(s).

## 8. Performance measurement

### 8.1 Collective performance

The annual bonus pool is determined at Vontobel Group level by using a number of pre-defined factors, which may include but are not necessarily limited to:

- pre-defined parameters incl. benchmarks
- ratio of bonus vs. dividends vs. profits withheld
- competitor analysis
- changes in FTE

The proposed size of the bonus pool may not exceed a fixed percentage limit (maximum) of the Group's Profits before Tax and Bonus.

The total bonus pool is divided into smaller bonus pools for each business unit and support unit by the CEO of the Vontobel Group based on various quantitative and qualitative criteria.

### 8.2 The role of the management of business units

The Management of the related business unit reaches a decision on the allocation of variable compensation to individual employee.

The allotment is made on individual level to assess full complexity of each employee's activity, the compliance of this activity to internal risk and management procedures and the related risks.

The amount of variable component to be allocated to employee is assessed annually within the performance management process. The principles of performance measurement process are explained by Vontobel's intranet (Vontobel Academy, Performance Management Process).

### 8.3 Performance of individual employee

Vontobel Group has decided on a management process called Performance Management Process, which is the basis for performance-related remuneration.

The Performance Management Process consists of business objectives, behavioral competencies and an individual development plan guaranteeing potential-oriented development and growth. Business objectives provide clear orientation in respect of the objectives of the Vontobel Group and its component parts, as well as in respect of each employee's personal contribution to the achievement of these objectives. The behavioral competencies are derived from the corporate strategy and core capabilities and were defined by the group executive committee.

The performance of each individual employee is measured along both business objectives as well as behavioral competencies during annual year-end reviews.

The individual business objectives are set based on quantitative<sup>2</sup> as well as qualitative<sup>3</sup> objectives. The objectives are set to encourage responsible action and to enforce strict application of Best practices and compliance with the internal risk and management procedures, such as but not limited to respect of internal procedures, conformity to the systems and mechanisms of control, norms regulating relationship with clients and investors.

The objectives for each employee are agreed for the year. Measurement points and criteria are defined and agreed for the various objectives. The objectives are weighted according to importance, effort and difficulty. The sum of these weightings for all of the objectives (qualitative and quantitative) must come to 100% (see respective form in Vontobel's intranet). One of qualitative objectives is the obligatory compliance objective, which is weighted by 10% for all employees.

Within the annual employee evaluation the compliance characteristic has to be rated separately. The compliance characteristic / objective is weighted with 10% and consists of compliance with laws, regulations and internal rules; risk mitigation; integer acting and fair treatment of all stakeholders including clients. A negative rating of the compliance characteristic must lead to an appropriate influence for the total rating. During the annual "Bonus-Allocation-Process", the Executive Management of Vontobel Group has to present in detail to the CEO all relevant compliance cases within their business units. A non-compliance case must lead to a clearly defined and traceable negative influence for the employee's bonus. Additional consequences (e.g. disapproval) must be traceable.

The evaluation of the achievement of objectives is performed annually for the previous year to measure and assess the employee's contribution to results. The Management and the employee look at each separate agreed objective, using measurement criteria to determine whether the objective has been achieved or not. The Management evaluates the attainment level for each individual objective and compiles the overall assessment. The Employee and the Management acknowledge the results of the review by electronic approval.

The achievement of objectives is documented within the Performance Management Process.

The overall performance rating (OPR) consists of the evaluation of the business objectives as well as the behavioral competencies in equal shares, whereas the weighting in percentage for each business objective is multiplied by the evaluation. The overall performance rating scale implies "1 = unsatisfactory performance contribution" to "5 = outstanding performance contribution".

<sup>2</sup> Quantitative objectives are tailored-made for individuals depending on their functions, aims, responsibilities and positions in the group.

<sup>3</sup> Qualitative objectives are e.g. teamwork, leadership skills, behavior, compliance with applicable regulations.



The Employee and the Management acknowledge the results of the review by electronic approval.

The individuals acting in Control functions are entitled to variable compensation based on criteria which are independent of the business they control and the method of determining their remuneration should not be likely to compromise their objectivity (please refer to point 9.3.3 Compliance function).

VAMSA does not remunerate or assess the performance of its employees in a way that conflicts with its duty to act in the best interests of its clients. In particular, it shall not make any arrangements by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when VAMSA could offer a different financial instrument, which could better meet that client's needs.

## **9. VAMSA Remuneration Procedure**

### **9.1 Nomination and Compensation Committee**

The Board of Directors of the Vontobel Group has appointed a Nomination and Compensation Committee to define to the Board a proposal on a bonus pool.

The bonus accruals for the first half of the year and the annual bonus pool are proposed to the Nomination and Compensation Committee of the Board of Directors of the Vontobel group by the CEO in June and December, respectively. The Nomination and Compensation Committee discusses the size of the bonus pool and subsequently submits a proposal to the entire Board of Directors of the Vontobel group.

The proposed size of the bonus pool as determined by the Nomination and Compensation Committee may not exceed a fixed percentage limit (maximum) of the Group's Profits before Tax and Bonus.

The Nomination and Compensation Committee defines the proposed size of the bonus pool by using a number of predefined factors, which may include but are not necessarily limited to:

- predefined parameters incl. benchmarks
- ratio of bonus vs. dividends vs. Profits withheld
- competitor analysis
- changes in FTE

### **9.2 Bonus pool**

Board of Directors of the Vontobel Group reaches a decision on the annual bonus pool.

The total bonus pool is divided into smaller bonus pools for each business unit and support unit by the CEO of the Vontobel Group based on various quantitative and qualitative criteria.

These criteria may include but are not necessarily limited to:

- Results and other financial indicators

- Achievements (Projects etc.)
- Changes in FTE
- Guaranteed Bonuses (not applicable to VAMSA)

## **9.3 Governance at VAMSA**

The following section describes the responsibilities, which are assumed by the Board of Directors of VAMSA and the management of VAMSA as regards to the Remuneration Policy.

### **9.3.1 The responsibilities of VAMSA Board of Directors**

The Board of Directors of VAMSA is responsible for the approval of its internal organisation, of the effective oversight of senior management, of the definition of the overall policies governing the provision of services and activities.

The BoD takes responsibility for establishing, documenting and communicating to the authorised management the general principles and objectives of the remuneration policy. In relation to these responsibilities, the Board of Directors of VAMSA ascertains to have at all times the relevant expertise and thus be capable of forming an independent judgement on the suitability of the remuneration policy, including the implications for risk management.

The Board recognizes its responsibilities and duties as regards the implementation of the Remuneration Policy of Vontobel Group and supports its functional organisation.

In absence of local remuneration committee, the Board approves the remuneration of the Conducting Officers of VAMSA as well as the heads of control functions.

The Board shall be responsible for the definition, the approval and the oversight of the implementation of VAMSA's remuneration policy after taking advice from the compliance function on the compliance of the policy with applicable regulations.

The Board shall be responsible for the approval of the remuneration of sales staff and of the approval of new products for distribution to clients (MiFID services).

All decisions on the above-mentioned responsibilities are documented in minutes from Board meetings or circular resolutions and kept at the premises of VAMSA.

### **9.3.2 The responsibilities of VAMSA Management**

The Management of VAMSA assumes responsibility for the day-to-day implementation of the remuneration policy and the monitoring of compliance risks related to the policy. It shall elaborate procedures to this effect and submit them to the Board of directors for approval.

The Management is responsible for informing the relevant personnel of the related policies and procedures and any changes thereto. The Management is responsible for:

- making this policy accessible to staff members to whom they apply;
- informing the related staff in advance of the criteria that will be used to determine their remuneration and of the appraisal process;
- documenting and making transparent the appraisal process and the remuneration policy to the individual staff members concerned.

The Management shall inform the Board of Directors at least once a year on the due application of the policy. It shall ensure periodical reviews on the processes in place to control their conformity with the remuneration policy.

Finally, VAMSA Management recognizes its responsibilities and duties as regards the implementation of the Remuneration Policy of Vontobel Group and supports its functional organisation.

### 9.3.3 Compliance function

Compliance is responsible for ensuring that the processes and employees within VAMSA are following both legal requirements and group regulations regarding remuneration principles prescribed by UCITS V Directive, AIFMD and MiFID II. In particular, compliance checks that the Remuneration policy is in line with applicable local regulations and that the procedures described therein are being adhered to. In particular, the compliance function ensures, with the support of VAMSA Management, that the Company respects MiFID II requirements regarding rules of conduct and conflict of interests.

#### Compliance function remuneration system:

In order to ensure that the required compliance function can act independently, the method of determining the remuneration of the relevant persons, who are involved in the compliance function, does not compromise their objectivity and is not likely to do so due to the following reasons:

- The relevant persons engaged in compliance function are independent from the business unit they oversee; have appropriate authority, and are compensated in accordance with the achievement of the objectives linked to their function;
- The variable remuneration of relevant persons involved in the compliance function is independent from the performance of the business area they control.

### 9.3.4 Internal Audit

At least on an annual basis, the VAMSA internal audit shall report to the VAMSA's Board of Directors on the appropriate application of the Remuneration policy. In particular, it needs to ensure that the rules and principles of remuneration have been duly applied, the agreed processes are followed and actions taken duly

documented. Additionally, it is ensured that the related processes are fully operating and effective.

Like any other process within VAMSA, the entire Remuneration process falls into the scope of the intervention of internal audit. The role of internal audit is to contribute to the integrity of the whole process, ensure it is comprehensive and adapted to the scale and complexity of VAMSA's activities.

Internal Audit of VAMSA performs its activities in accordance with circular 98/143, circular 18/698 as well as Vontobel Group's and VAMSA Internal Audit Charter. According to the latter, Internal Audit directly reports to the management of VAMSA on all audit activities.

Additionally, VAMSA's Board of Directors are informed about all audit results.

### 9.3.5 Hedging strategy

VAMSA 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.

VAMSA guarantees that variable remuneration paid is not paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Law and UCITS V Directive.

## 9.4 Reporting

### 9.4.1 Management meetings

The regular management meeting is the forum for discussing risk-related issues. Changes to the variable remuneration procedure / policy would be discussed and validated within this meeting. Management decisions are recorded within the minutes of management meetings.

### 9.4.2 Board of Directors Reporting

On an annual basis, the Board of Directors approves the variable remuneration performed at VAMSA.

In case of any changes, the Board of Directors approves the changes in the remuneration policy of VAMSA and its due application.

The approval is formalized either in Board meeting minutes or through circular resolution.

## 9.5 Publication

### 9.5.1 External Publication

VAMSA issues an annual report for the AIF 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, and, where relevant, carried interest paid by the AIF;
- the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF;

- details of remuneration practices for Identified Staff (i.e. financial and non-financial performance measures used to determine variable remuneration)

The relevant UCITS also issue an annual report, a prospectus and a KIID for the UCITS covering:

The annual report of the UCITS includes:

- the total amount of remuneration paid by VAMSA to its staff for the latest financial year of VAMSA, split into fixed and variable remuneration, the number of beneficiaries, and, where relevant any amount paid directly by the UCITS scheme itself, including any performance fee;
- the aggregate amount of remuneration broken down by categories of staff;
- a description of how the remuneration and the benefits have been calculated;
- the outcome of the reviews referred including any irregularities that have occurred; and
- details of any material changes to the adopted remuneration.

The prospectus of the UCITS V include:

- a summary of the remuneration policy and a statement to the effect that the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, are available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

The Key investor information of the UCITS includes a statement to the effect that the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits are available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

#### **9.5.2 Internal Publication**

The Management of VAMSA assumes responsibility for making this policy accessible to all staff members of VAMSA. For this purpose, main principles of this policy and any amendments thereto are provided to all staff members.

The employees are regularly informed, via email or publication on the internal website, about their remuneration, criteria used to measure performance and the link between performance and pay.

The employees identified as Risk-Takers or Relevant persons as listed in Annexes 4a) and 4b) are specifically

informed, clearly and beforehand, of criteria used to determine the amount of their remuneration as well as of the steps and calendar planned to assess their performance.

#### **10. Entry into Force**

This policy is subject to a periodic review (at least once a year) by the Board of Directors and comes into force with immediate effect.