

## CONTEXT / OBJECTIVE

**1. INTRODUCTION**

1.1 The present document, an excerpt of the remuneration policy of Allegro S.à r.l. (the "**Company**") as approved by the board of managers of the Company (the "**Board**") on 18 May 2018 (the "**Policy**"), describes the main remuneration policies and practices of the Company, acting in its capacity as (i) designated management company ("**Management Company**") of undertakings for collective investment in transferable securities ("**UCITS**") and other undertakings for collective investment ("**UCIs**") in accordance with the provisions of Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended from time to time (the "**UCI Law**") and (ii) alternative investment fund manager ("**AIFM**") pursuant to Chapter 2 of the Law of 12 July 2013 on alternative investment funds managers, as amended from time to time (the "**AIFM Law**") and Directive 2011/61/EU of 8 June 2011 on alternative investment fund managers, as amended from time to time (the "**AIFM Directive**").

1.2 The present document demonstrates compliance of the Policy with:

1.2.1 the remuneration requirements of (i) Article 12 and Annex II of the AIFM Law implementing Article 13 and Annex 2 of the AIFM Directive, (ii) the Commission delegated regulation No 231/2013 of 19 December 2012 supplementing the AIFM Directive with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the "**Delegated Regulation**"), and (iii) ESMA guidelines 2013/232 of 3 July 2013 on sound remuneration policies under the AIFM Directive, as amended by ESMA UCITS Remuneration Guidelines (as defined below) ("**ESMA AIFMD Remuneration Guidelines**").

1.2.2 the remuneration requirements of (i) article 111bis and 111ter of the UCI Law implementing Articles 14a and 14b of Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to UCITS, as amended from time to time, and in particular as amended by Directive 2014/91/EU of 23 July 2014 (the "**UCITS V Directive**") in relation to depositaries, remuneration policies and administrative sanctions (the "**UCITS Directive**"); and (ii) ESMA guidelines 2016/411 of 31 March 2016 on sound remuneration policies under the UCITS Directive and AIFMD ("**ESMA UCITS Remuneration Guidelines**") and (iii) ESMA opinion letter 2016/12 of 31 March 2016 on the proportionality principle and remuneration rules in the financial sector ("**ESMA Opinion Letter**", and together with ESMA AIFMD Remuneration Guidelines and ESMA UCITS Remuneration Guidelines, the "**ESMA Guidelines**").

1.3 The general remuneration rules contained in the Policy, concerning in particular the governance and the general risk management of the remuneration, apply to all categories of staff of the Company, whilst the specific remuneration rules of the Policy, concerning in particular the assessment of staff performance within a multi-year approach and the pay-out process rules applicable to the variable component of the

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remuneration, apply only to the Company's material risk takers or so-called "Identified Staff" (as defined below) whose professional activities have a material impact on the risk profiles of the Company or of the UCITS, alternative investment funds ("AIFs") and other UCIs it manages (these UCITS, AIFs and other UCIs, being collectively referred to as the "Funds").

- 1.4 The Policy has been established and adopted by the Board, acting in its supervisory function, who have worked closely with the persons in charge of the internal control functions of the Company (i.e. internal audit, risk management, compliance functions) (the "**Control Functions**") and the persons in charge of the effective conduct of the business of the Company (the "**Conducting Officers**").

**PROCEDURE****2. IDENTIFIED STAFF**

- 2.1 The potential categories of staff members of the Company whose professional activities have a material impact on the risk profile of the Company or of the Funds managed by it ("**Identified Staff**"), consist of the Company's Board members, the Conducting Officers, the risk management officer, the compliance officer, the internal auditor, the staff responsible for heading the portfolio management, administration, marketing and human resources functions as well as any other employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Company or of the Funds it manages.
- 2.2 The exact list of Identified Staff is determined and approved by the Board on an annual basis and updated for any changes on a rolling basis (including on recruitment or promotion into covered roles). The Company's Identified Staff will be notified annually of their status and of the implication of this status.

**3. PROPORTIONALITY PRINCIPLE**

- 3.1 The Board of the Company has considered the application of the proportionality principle and, taking into account the provisions of the AIFMD, the UCITS V Directive, the AIFM Law, the UCI Law and ESMA Guidelines, has determined that, given the size and internal organization of the Company and the nature, scope and complexity of its activities, it is able on proportionality grounds **to neutralise at the level of the whole Company** the remuneration rules relating to the pay-out process of the variable remuneration (Annex II, point (1), m) to o) of the AIFM Law and Article 111ter, (1), points m) to o) of the UCI Law), and the requirement to establish a remuneration committee (Annex II, point (3) of the AIFM Law and Article 111ter, (3) of the UCI Law).
- 3.2 In addition, the Board has also determined that it is able **to tailor and apply at the level of the whole Company** the following general remuneration principles in the manner indicated below which is proportionate and appropriate to the Company's size, internal organisation, risk profile and to the nature, scope and complexity of its activities:

- 3.2.1 the Company is allowed not to have a separate supervisory function within the meaning of ESMA Guidelines, and that supervisory function shall be understood, in accordance with ESMA Guidelines, as the member(s) of the Board responsible for these functions;
- 3.2.2 the Board is allowed to work as a collegial body without specific allocation and repartitions of tasks between so-called "executive" and "non-executive" members;
- 3.2.3 the Board members may be involved in the determination of their own remuneration together with the human resources of the Company;
- 3.2.4 the type and amount of remuneration information to be disclosed internally and externally by the Company may be limited according to ESMA Guidelines.

#### **4. GOVERNANCE OF THE REMUNERATION**

##### **4.1 Board of the Company**

- 4.1.1 The Board, acting in its supervisory function, is responsible for determining, maintaining and implementing the remuneration policies and practices of the Company as well as supervising the Conducting Officers, who are responsible for its application. The remuneration policies and practices of the Company, as well as any subsequent material exemptions or changes thereof shall be approved by the Conducting Officers and by the Board.
- 4.1.2 The Board, acting in its supervisory function, will ensure that:
- a) the remuneration policy of the Company is consistent with and promotes sound and effective risk management and more particularly:
    - is in line with the business strategy, objectives, values and interests of the Company and the Funds it manages and of the investors of such Funds;
    - does not encourage excessive risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds managed by the Company;
    - enables the Company to align the interests of the Funds and their investors with those of the Identified Staff that manages such Funds, and to achieve and maintain a sound financial situation;
  - b) the following elements are taken into account in the design, implementation and oversight of the Company's remuneration policies and practices:
    - the Company's overall corporate governance principles and structures, as well as their interactions with the remuneration system;

- the inputs provided by all competent corporate functions of the Company (i.e., risk management, compliance, internal audit, etc.), which will be properly involved in the design and annual review of this Policy, as further described in Clause 4.2 hereof;
- the clear distinction between operating and control functions, the skills and independence requirements of members of the Board, the safeguards for preventing conflicts of interests and the internal reporting system and the related parties' transactions rules.

4.1.3 The Board, acting in its supervisory function, reviews the Policy and its implementation on an annual basis and is responsible for, and oversees, its implementation.

#### 4.2 Conducting Officers

4.2.1 As indicated in Clause 4.1.1, the Board is assisted in its tasks by the Conducting Officers who will in particular assess and review, on a regular basis, the effectiveness of the Policy as adopted by the Board to comply with its obligations under the UCI Law.

#### 4.3 Control Functions

4.3.1 As indicated in Clause 4.1.2 b), the Control Functions of the Company will assist the Board in the design and the review of the Policy, including in determining the overall remuneration strategy applicable to the Company, having regard to the promotion of effective risk management.

4.3.2 In particular:

- a) the risk management function will assess how the variable remuneration structure affects the risk profile of the Company, namely by:
  - taking part, when need be, in the update of the Policy, especially regarding the identification of the Identified Staff;
  - providing feedback and reports to the Board and the Conducting Officers including input on any risk exposures and/or risk related incidents, which may have to be considered by the Board and the Conducting Officers depending on their nature and materiality;
- b) the compliance function will analyse how the remuneration structure affects the Company's compliance with legislation, regulations and internal policies, namely by:
  - taking part, when need be, in the update of the Policy, especially regarding the identification of the Identified Staff;
  - communicating to the Board and the Conducting Officers any new legal and/or regulatory text to take into account with regards to the Policy;

- reviewing the Policy to ensure it effectively complies with applicable legal and regulatory requirements, in close collaboration with the risk management officer and internal audit;
  - performing gap analysis of the Policy with regards to new applicable legal and/or regulatory text;
  - providing feedback and reports to the Board and the Conducting Officers including input on any significant findings in the compliance reviews that the Board and the Conducting Officers may have to be consider depending on their nature and materiality;
- c) the internal audit function will periodically carry out an independent audit of the design, implementation and effects of the Policy on the risk profile of the Company to ensure that this Policy and the remuneration requirements defined under the laws and regulations mentioned under Clause 1 are adhered to and that processes for achieving and maintaining flexible and balanced incentive remuneration arrangements are complied with. The internal audit function may also assist the Board by:
- taking part, when need be, in the update of the Policy, especially regarding the identification of the Identified Staff;
  - providing feedback and reports to the Board and the Conducting Officers including input on any audit findings (including significant negligence, deliberate omissions and other control-related incident) which may have to be considered by the Board and the Conducting Officers depending on their nature and materiality.

#### 4.4 Remuneration committee

- 4.4.1 As indicated in Clause 3.1, the Board and the Conducting Officers consider that the Company is currently not obliged to establish a remuneration committee.

### 5. **REMUNERATION PRINCIPLES**

#### 5.1 Design of the remuneration

- 5.1.1 The remuneration of all staff members, including the Identified Staff (and, considering the size of the Company, its internal organization and the nature, scope and the complexity of its business activities, including the members of the Board and the Conducting Officers) will be determined by the CEO, the Deputy CEO and the human resources of the Company and approved by the Board on the basis of the following principles:

- a) All staff members shall receive a total compensation package consisting of: (i) a fixed part taking the form of an annual salary, (ii) an annual variable part that shall be driven by the financial result and situation of the Company as well as the individual achievements of each employee, and (iii) where applicable, an exceptional variable participation in a long-term

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incentive plan ("LTIP"), where the variable part shall be driven by the financial result and situation of the Company as well as the individual achievements of each employee, with the possibility to pay no variable remuneration component at all;

- b) The remuneration level of staff members will be based on, amongst others, the following criteria:
- knowledge, expertise and skills;
  - tasks, powers and responsibilities;
  - learning attitude and motivation;
  - independence and interaction with other teams;
  - adequate personal performance management, including personal objectives follow-up and achievement as per the "Objectives Definition & Performance Measurement" process ("OD&PM") of the Company;
  - policies, processes and procedures follow-up;
  - economic strategy, objectives, values, interests and ethics follow-up;
  - adequate risk governance and orientation;
- c) The appropriate balance of remuneration components may vary across staff members, depending on their functions, activities, seniority and their personal achievements, it being understood that the variable component shall not exceed 50% of the total compensation i.e. the sum of fixed salary, fringe benefits and the variable component;
- d) The remuneration structure of the Control Functions personnel does not compromise their independence or create specific conflicts of interest in their advisory role to the Board. Decisions on the remuneration of Control Functions are made independently of the business areas they control;
- e) The fixed remuneration shall take the form of a monthly salary paid in cash. It remunerates the competences of the staff members, based on their role and experience, and is guaranteed irrespective of their performance;
- f) The variable remuneration shall take the form of bonuses paid in cash, cash equivalents (e.g. interest subsidy) or financial instruments out of the Company's assets. These bonuses will be paid during the first half of the financial year (principal bonus payment for the previous financial year of the Company, if any) and during the second half of the financial year (interim bonus payment, if any), on the basis of the financial results of the Company as well as the personal achievements of the respective staff members (i.e. variable remuneration is

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allocated to staff members according to their appraisal made through the performance assessment process described below on the basis of individual and collective, financial and non-financial performance criteria);

- g) A further variable remuneration may occur in exceptional circumstances in the context of an LTIP, the aim of which is to strengthen the longer-term alignment of the employees' interests with the Company's objectives and interests. The payment(s) resulting from such exceptional LTIP will be made at the discretion of the Board and will be subject to achieving the relevant LTIP's performance conditions, it being understood that the vesting of all LTIP awards will be subject to continued employment and to a deferral of 6 (six) - 48 (forty-eight) months between the time of allocation of such ad hoc remuneration and its payment(s), and that the Company will have all rights to claim back the LTIP awards which would have been paid on the basis of data resulting from fraudulent actions, including wrong or misleading statements;
- h) As regards personal performance measurement, an OD&PM meeting will be held in the beginning of the Company's financial year between each employee and their line manager where: (i) measurement / assessment for the preceding year shall be discussed, (ii) the employee will be informed of the bonus to be paid for the preceding year, (iii) the objectives for the new financial year shall be in principle defined jointly. An interim assessment made in autumn will be considered for the interim bonus payment, if applicable. The results of each appraisal shall determine whether the staff member is eligible or not to variable remuneration;
- i) The nature of the business of the Company as outlined in Clause 3 does not provide the possibility to create incentives on the basis of risk taking, and the remuneration policies and procedures according to the present Policy confirm the non-creation of incentives on such basis.

## 5.2 General requirements

5.2.1 In addition to the criteria set forth under Clause 5.1 hereof, any form of payments, benefits, remunerations and bonuses paid directly by the Company or, to the extent applicable, the Funds themselves (including carried interest and/or performance fee if any) and any transfer of units or shares of the Funds (hereafter, commonly referred to as "**remuneration**") in exchange for services rendered by staff members, where and if applicable, should in all cases, except if such payment constitutes a reimbursement of expenses or other payments or benefits that pose no incentive effects in terms of risk assumption and can be excluded for the purpose of the remuneration requirements (as listed in ESMA Guidelines), follow the principles set forth hereinafter:

- a) where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the overall results of the Company (and, if applicable, of the business unit or Funds concerned), and when

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assessing individual performance, financial as well as non-financial criteria are taken into account;

- b) the assessment of performance of Identified Staff is set in a multi-year framework appropriate to the life-cycle of the Funds managed by the Company in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the Funds it manages and their investment risks;
- c) the Company may, on exceptional basis, decide to guarantee the payment of an exceptional variable remuneration (for the first year of employment) in the context of hiring a highly qualified new staff. In such a case, the Company will set the terms and conditions of such exceptional bonus taking into consideration the financial soundness of the Company (and, if applicable, the Funds managed by it);
- d) all payments related to the early termination of a contract will reflect performance achieved over time and will not be designed in a way that rewards failure;
- e) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks. Such adjustment mechanism is applied to the annual bonus pool, considering both company-specific as well as macro-economic elements;
- f) all employees will be subject to an official pension scheme as provided by the Luxembourg social security scheme. The Company also provides a supplementary pension scheme subject to the Luxembourg law of 8 June 1999 on complementary pension plans, based on fixed salary and excluding bonuses, such pension scheme being in line with the business strategy, objectives, values and long-term interests of the Company (and, if applicable, the Funds managed by it);
- g) all employees will be required to undertake not to use personal hedging strategies or remuneration and liability related insurance to determine the risk alignment effects embedded in their remuneration arrangements;
- h) variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the relevant laws and regulations mentioned under Clause 1.

5.2.2 The Company will document the award process and ensure that records of the determination of the overall variable remuneration pool are maintained.

**6. MEASURE IN CASE OF DELEGATION OF PORTFOLIO MANAGEMENT OR RISK MANAGEMENT ACTIVITIES**

6.1 At the date of this Policy, none of the portfolio management or risk management activities of the Company are delegated with regard to the Funds.

**7. PREVENTION OF CONFLICTS OF INTERESTS**

7.1 The Company has identified key areas of potential conflicts of interests and corresponding mitigation actions.

**8. IMPLEMENTATION AND PERIODICAL REVIEW OF THE REMUNERATION POLICY**

8.1 The implementation of the Policy will be reviewed on an annual basis at a minimum before payment of the annual bonus, by the CEO, the Deputy CEO and the human resources of the Company.

8.2 The relevant internal Control Functions (i.e. internal audit, risk management, compliance functions, etc.) will be closely involved in reviewing, at least annually, the remuneration system of the Company. The roles of the Control Functions in the annual review of the implementation of the Policy are further described in Clause 4.3.

8.3 The CEO, the Deputy CEO and the human resources of the Company will report on the outcome of this review to the Board and the Conducting Officers. The Board, acting in its supervisory function, will approve the review of the remuneration policy as performed by the CEO, the Deputy CEO, the human resources and the Control Functions of the Company and will assess whether it is necessary to amend this Policy (notably on the basis of the outcome of the review performed). This assessment shall be made at least annually, and each time a material change likely to affect the remuneration policy of the Company occurs.

**9. DISCLOSURE**

9.1 Without prejudice to the specific remuneration transparency requirements that have to be implemented as the case may be in the prospectus, key investor information document and annual report of the Funds, the Company will ensure that all internal and external disclosures in respect of the Policy are made in accordance with the laws and regulations mentioned under Clause 1.2.

9.2 In particular, given the size, internal organisation, governance, scope, nature and complexity of the activities of the Company and the Funds (as further specified in Clause 3), the Board considers to apply the remuneration disclosures on a proportionate basis and the overall remuneration proportionality principle will apply as described below to the type and amount of information disclosed:

9.2.1 **Internal disclosure:** The Policy will be accessible to all staff members on any bank business day, enabling all staff members to know in advance the criteria that will be used to determine their

remuneration. Confidential quantitative aspects of the remuneration of staff members will of course remain confidential and will thus not be internally disclosed.

**9.2.2 External disclosure:**

- a) Following its ratification by the Board, an excerpt of the Policy is published on the Company's website ([www.allegrofund.com](http://www.allegrofund.com)).
- b) The remuneration principles applied by the Company are furthermore included as part of the annual report of the Company.
- c) The Board, acting in its supervisory function, shall further consider to prepare a disclosure report, which shall set out the decision-making process used to determine the remuneration policy for the individuals to which it applies.