

REMUNERATION POLICY

Remuneration Policy

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1 Overview

1.1 Introduction

The purpose of this Remuneration Policy (hereinafter “**Policy**”) is to provide a sound, transparent, comprehensive and appropriately documented remuneration framework for R+V AIFM S.à r.l (hereinafter “AIFM”).

The AIFM believe in a sound balance between fixed salary and variable (monetary) remuneration.

1.2 Scope

This Policy covers all material aspects of the remuneration related processes of the AIFM and is applicable fairly to all employees.

In the event of any conflict between this Policy and the local laws and regulations, the latter shall prevail to the extent where such conflict exists. Any discrepancy in standards shall entail application of the more stringent.

This Policy also covers the remuneration which consists of one or more of the following:

- All forms of payments of fixed or variable remuneration by the AIFM to its employees; and
- Any amount paid by the Funds, including any portion of performance fees that are paid directly or indirectly for the benefit of Identified Staff (as defined below);

which are received by the employees of the AIFM in exchange for their professional services. For the avoidance of doubt, the definition of remuneration for the purpose of this guidelines also comprises discretionary pension benefits granted by the AIFM, if any.

This Policy is applicable to all employees, members of the Senior Management/the Conducting Officers and members of the Board of Managers of the AIFM and to any type of remuneration paid by the Company including carried interest and performance fees.

1.3 Objective

This policy aims to:

- Ensure that remuneration is in line with the business strategy, objectives, values, risk strategy and interests of the AIFM and the AIFs it manages or the investors of such AIFs;
- not encourage risk-taking which is inconsistent with the risk profiles, rules or articles of incorporation or management regulations of the AIFs managed by the AIFM;
- ensure consistency with and promotion of sound and effective risk management to avoid excessive risk taking;
- avoid or manage conflicts of interest.

1.4 Regulatory Requirements

This Policy, as amended from time to time, shall consider and where applicable abide by the following sources:

Table 1-1 Regulatory Overview

Item	Regulation /Guidance
AIFMD/Level 1	AIFM Directive 2011/61/EU

Item	Regulation /Guidance
AIFM-DR/Level 2	Annex II outlining the principles to consider when remuneration policy; Commission Delegated Regulation (EU) No 231/2013 supplementing Directive 2011/61
CRR	Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (CRR)
CRD IV	Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU
SFDR	Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)
AIFM Law	The Luxembourg AIFM Law of July 12 th , 2013
2010 Law	The Law of 10 December 2010 relating to undertakings for collective investment
18/698	CSSF Circular 18/698
14/585	CSSF circular 14/585, Transposition of the European Securities Markets Authority's (ESMA) guidelines on the remuneration policies and practices
11/505	CSSF Circular 11/505
10/437	CSSF circular 10/437, Guidelines concerning the remuneration policies in the financial sector
EBA Guidelines	EBAGL202113 On sound remuneration policies under Directive (EU) 2019/2034
ESMA guidelines	ESMA guidelines on sound remuneration policies under AIFMD
ESMA Q&A	ESMA34-32-352 Application of the AIFMD

Specific requirements can be found in this Policy.

2 Framework

2.1 Identified Staff

For the purpose of this Policy, Identified Staff shall include the following persons:

- The Board of Managers;
- The members of the Senior Management/ Conducting officers.
- Staff members whose professional activity carried out individually or within a group such as a department or a division of a department is or is likely to have a material impact on the risk profile of financial undertaking, e.g. the portfolio management team.
- Staff members who carry out independent control functions, e.g. functions of compliance and risk management.
- Independent Directors which are members of the Board of Managers of the company

Non-Independent Directors acting as members of the Board of Managers (the Board) are out of scope as their remuneration is either fixed or they are not remunerated for their function as board member.

2.2 Proportionality

In view of the size of the assets under management, the clients type to whom it provides services, as well as the nature of the investment policies and strategies, the complexity and size of its organization, the AIFM is in the opinion that the proportionality with respect to its own characteristics as Company can be applicable.

Indeed, this opinion is based on the analysis of the following factors considered in aggregate:

- The AIFM has less than 15 employees including all appointed members of the Senior Management/Conducting Officers and members of the Board of Managers.
- The AIFM has a well-organised internal governance and a straightforward legal structure as set out in the AIFMs Business Organisation Handbook.
- The Funds managed by the AIFM are EU AIFs in the sense of Directive 2011/61/EU in the EU (Luxembourg).
- Even though certain of the activities of the AIFM could be carried out on a cross-border basis, the well-established legislative frameworks in the target jurisdictions do not give rise to concerns regarding the AIFM's risk profile or its scope of operation.
- The investment policy of the Funds managed by the AIFM foresee either no or only very limited used of complex instruments and limited levels of leverage (in any event below the qualification of Hedge Funds).

By applying the principles of proportionality as provided for under ESMA Guidelines 2013/232 (as amended by the ESMA Guidelines 2016/575), the following requirements are not applicable.

- Deferral of remuneration
- Retention policy
- Ex post incorporation of risk in the variable remuneration (malus)
- Establishment of a remuneration committee.

The AIFM has concluded that the disapplication of the above requirements is reconcilable with the risk profile, risk appetite and the strategy of the AIFM and the AIFs it manages and within the limits of the ESMA Guidelines.

The principle of proportionality will be considered by the Board of Managers during the annual review of this Policy.

A detailed analysis has been performed to assess and reconfirm the applicability of the proportionality principle. The results of the assessment are attached in Annex I.

3 Responsibilities and Governance

The Board of Managers is ultimately responsible for the design and implementation of this Policy and its compliance with applicable legal and supervisory provisions.

Where applicable, the Board of Managers determines and approves staff identification, specifies role objectives, agrees individual performance scorecards, defines the performance benchmarks and/or evaluates the performance of employees by any other objective and transparent means for the determination of the eligibility of an employee's variable compensation (hereinafter "Key Performance Indicators" or "KPIs").

Further, the Board of Managers determines and approves, where applicable, the bonus pool and its distribution as variable compensation.

The Conducting Officers are responsible for reviewing the Policy as developed by the Board of Managers and monitoring its implementation to ensure it is fully operating as intended.

Furthermore, the Board of Managers will also specifically approve and oversee the remuneration of senior executives and staff members who receive the highest amounts of total remuneration within the AIFM.

All relevant internal functions (i.e. Internal Audit, Risk Management Function, Compliance Function, Human Resources, etc.) work closely to ensure that the Policy is consistent with applicable laws and regulatory provisions, prevents conflicts of interest and promote sound as well as effective risk management.

4 Remuneration Strategy

4.1 General Principles

For the purposes of this Policy, the term "remuneration" shall include all payments made by the AIFM or the AIFs managed by the AIFM in exchange for professional services rendered by the risk taker and, including discretionary pension benefits, if any.

The remuneration structure of the AIFM consists of fixed salary and variable (monetary) compensation components (ex.: discretionary bonus payments) as well as contributions to pension plans and other types of compensation.

The remuneration strategy of the AIFM and its implementation is designed to prevent:

- a) incentives for any one individual employee, groups of employees or the AIFM as an entity from entering into disproportionate risks and/or
- b) any other potential adverse effects to the independence and objectivity of any individual employee, groups of employees or the AIFM as an entity, when pursuing the best interest of investors.

To achieve this goal, the compensation structure is designed to fit the performance and risk objectives of the AIFM. Therefore, the variable component of remuneration should at all times be reasonable compared to the fixed component of the remuneration. Remunerations to be applied shall always provide for appropriate balance between fixed and variable remuneration elements and should be in line with the business strategy, objective, value and interest of the company. The maximum limit of the variable component of the remuneration does in principle not exceed 25% of the annual gross salary of the identified staff. Possible exceptions from this rule require express consent and detailed documentation from the Board of Managers of the AIFM.

Based on the funds managed, the AIFM has decided not to implement sustainability related or other goals towards ESG and/or SFDR compliance in the annual performance assessment of the employees. However, the situation is continuously assessed, and action will be taken if a requirement to incorporate such criteria is arising.

The AIFM does not provide guaranteed variable remuneration, except possibly when hiring highly qualified new staff (sign-on bonus). In such a case, the employment contract will set the terms and conditions of such exceptional guaranteed bonus limited to the first year of employment.

The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of the company.

The AIFM defines the financial and non-financial criteria to assess the performance of the individual.

4.2 Categorisation of Employees

For the application of the specific remuneration principles, the AIFM has defined Identified Staff as set out in section [2.1](#) of this Policy.

The identification of staff is performed based on the criteria provided in Article 30(1) of Directive (EU) 2019/2034 and the Commission Delegated Regulation mandated under Article 30(4) of that Directive (RTS on identified staff) and additional internal criteria.

When implementing categorisation of employees, the application of proportionality and the risk profile of the AIFM and AIFs (incl. assets) it manages is taken in consideration.

All other functions within the AIFM are deemed to have no material impact on the risk profile of the AIFM and the AIFs that it manages.

The AIFM additionally ensures that no gender gap exists. Such action is undertaken by balancing the gender composition of the AIFM staff and gender independent allocation of the fix remuneration.

4.3 Remuneration Committee

In consideration of the principle of proportionality, the establishment of a Remuneration Committee is presently not necessary. The establishment of a Remuneration Committee will be re-considered on a regular basis by the Board of Managers and at least once a year once the AIFM employs more than 15 persons.

4.4 Appointed Portfolio Managers/Delegates

Any appointed portfolio manager must demonstrate that he/she is subject by law to an equivalent remuneration policy as defined in Annex II of the EU Directive 2011/61/EU on Alternative Investment Fund Managers.

If an appointed portfolio manager is not subject by law to an equivalent remuneration policy, the AIFM will assess the remuneration policy and make proposals to align the remuneration policies with the AIFMD Delegation Regulation (EU) 231/2013, ESMA guidelines and other applicable laws and regulations.

Any appointed portfolio manager or delegate must effectively demonstrate, that its internal remuneration policies do not encourage excessive risk-taking that is inconsistent with the risk-profile of the AIFs for which the portfolio manager or delegate has been appointed and that such remuneration policies generally encourage the consistency with and promotion of sound and effective risk management, including but limited to the identification and consideration of sustainability risks, in order to avoid excessive risk.

4.5 Conflicts of Interest

Possible conflicts of interest, criteria for the identification of conflicts of interests and implemented measures taken in order to avoid or to manage conflicts of interest are described in further detail in the “Conflict of interest policy”.

5 Fixed Remuneration Principles

The fixed remuneration of any employee and specifically of Identified Staff, shall at all times represent a sufficiently high proportion of the total remuneration to allow for financial independence of variable remuneration on an individual level, including the possibility to pay no variable remuneration component at all.

The individual employee proportion of fixed and variable remuneration therefore will not promote extensive or disproportionate risk-taking.

The fixed remuneration:

- Balances the value of the job, competences, experiences and the distinctive market competitive contributions of an employee;
- Balances the responsibilities, knowledge, skills and experience required in job positions and of the employees (the market value of the job and the person);
- Supports the work environment in the AIFM in terms of:
 - a. performance (stretched targets, results achievement, feedback),
 - b. development (career, employability), and
 - c. core competencies (foster growth, act responsibly, be accountable, excel in execution, cooperate as a team);
- Ensures that the fixed remuneration does not reward the employee (for example, as an alternative to variable compensation) for previously engaging in excessive risk-taking and does not encourage the employee to engage in future excessive risk-taking, particularly with regards to sustainability risks or any other risk profiles, rules or articles of incorporation or management regulations of the AIFs managed by the AIFM.
- Aims at being cost-competitive on the external market and has cost-flexibility components to follow organizational changes in the institution and supply and demand developments in the labour market.

The fixed remuneration refers to 12 equal instalments per year.

6 Variable Compensation

6.1 General Principles

The variable remuneration of employees depends on the assessment of the performance and development of the individual and of the business unit concerned combined with the overall performance of the AIFM or of the AIF they manage.

The variable part of the remuneration policy also covers, among other things, the pension provisions. The pension provisions are aligned with the long-term interests of the AIFM.

Variable remuneration is paid only if it is sustainable according to the financial situation of the AIFM as a whole and justified according to the performance of the individual concerned.

Individual performance is measured based on the semi-annual performance valuation that reflects quantitative and qualitative targets, including sustainability of an employee's efforts in the medium and long term.

In general, the design and implementation of the AIFM's policy on variable compensation aims to avoid making a direct link between remuneration and the sale of specific financial instruments/services and/or of a specific category of financial instruments/services and/or the entering into of risks outside of the risk profile of the AIFM.

The AIFM aims to ensure a proper balance of variable to fixed remuneration.

Any variable remuneration must be in line with the appraisal of individual performance of the employee and values and long-term interests of the AIFM. Consequently, variable remuneration must consider:

- risk, capital, liquidity and probability as well as the time of realized profits of the AIFM;
- performance of the AIFM;
- performance of the business unit (department/division/branch) concerned; and
- performance of the individual.

In particular, variable remuneration must not be promised and has to relate to the performance in any particular performance period. As a rule, guaranteed variable remuneration is prohibited.

All staff and business units of the AIFM shall be reminded, in advance as well as on a recurring basis, that the assessment of the KPIs set out above will necessarily consider the sustainability goals of the AIFM. Correspondingly, the assessment of the performance of individual staff and/or business units as well as the AIFM as a whole, will necessarily consider the individual and collective adherence to the AIFM's sustainability goals. The AIFM ensure that variable remuneration shall at times be linked to risk-adjusted performance measurements that discourages and prevents any excessive risk-taking with respect to sustainability risks.

Neither this policy nor any other document related to this Policy neither any variable remuneration under this or in connection with this Policy shall entail any obligation of the AIFM to pay variable remuneration.

It shall not create any claim, right or entitlement of any employee to any variable remuneration, including without limitation (future) bonus payments, phantom stock plan or other instruments equivalent to variable monetary compensation.

The only exception to this rule is a sign-on bonus payment which can be paid out upfront in cash when hiring new employees. Such sign-on bonus payments must be approved by the Board of Managers and are limited to the first year of employment provided that the entity has solid and adequate equity capital.

The variable remuneration is not consisting of units or shares of the AIF concerned, or equivalent ownership interest, or share-linked instruments or equivalent non-cash instruments, as defined by the ESMA Guidelines on sound remuneration policies under the AIFMD. **As a rule, non-monetary compensation and the receipt of all forms of non-monetary inducements (with exception to possible carried interest mechanics in AIFs managed by the AIFM) are prohibited.**

6.2 Performance Valuation

For the purpose of performance evaluation all employees must receive objectives and targets for a performance period. The objectives and targets describe the expected results. Performance valuation takes place 2 times a year in Q1 and Q3 of each year.

The objectives and target setting process is linked to the overall performance management process and guidelines of the AIFM, ensuring sufficient involvement of the relevant control function experts and the relevant approvals.

The objectives consist of an appropriate balance of quantitative and qualitative criteria. Objectives and targets are to be influenced through decisions and work by the employee. The evaluation of objectives and targets is documented. The evaluation of objectives and targets is always between a superior (line and/or matrix) and employee and shall be conducted in an objective and transparent manner. In this assessment of the employee's individual performance, both individual performance and financial as well as non-financial criteria must be taken into account. The total evaluation of the employees' performance needs to be at least "met expectations" for the employee to be eligible to receive a variable remuneration. The performance evaluation of employees must be structured within a multi-year framework that aligns with the life cycle of the AIFs managed by the AIFM. This approach ensures that the assessment process and the valuation is based on long-term performance and that the payment of performance-based remuneration components is distributed over a timeframe that takes into account the redemption policies of the AIFs and their associated investment risks.

6.3 Short-term incentives

The purpose of this bonus is to annually reward the employee for his/her performance over the course of the preceding fiscal year, align the remuneration of the employee with the success of the AIFM and incentivise excellent performance during the following fiscal year.

Although the deciding parameters for a discretionary cash bonus are short term (i.e. performance during previous fiscal year and incentive for ensuing fiscal year), the discretionary bonus is intended to incentivise employees to take a long-term view on the AIFMs continued development and success.

The AIFM will not pay out or afford its employees any other short-term monetary or non-monetary payments, benefits or inducements.

6.4 Long-term incentives (carried interest)

The AIFM does not support long-term incentives and does not offer such possibilities to its staff, senior management or Board of Managers.

7 Specific Remuneration Principles – Identified Staff

The AIFM identifies the members of staff whose professional activities have a material impact on the risk profile of the investment firm or the assets it manages (identified staff) as per below grade.

7.1 Board of Managers

Members of the Board of Managers may receive a de minimis stipend as a fixed remuneration on a case-by-case basis.

They are generally not eligible for short-term incentives as set out in Section [6.3](#).

7.2 Senior Management/Conducting Officers

Members of the Senior Management/Conducting Officers may receive a de minimis stipend as fixed remuneration on a case-by-case basis.

They are eligible for short-term incentives as set out in Section 6.3.

7.3 Internal Control Functions

Performance measures for employees responsible for control function will be based on the achievements and objectives of the functions, and their remuneration will be determined independently from the performance of the specific business areas they support, therefore helping to prevent any potential conflicts of interest.

Employees who fall under this arrangement include employees in the Compliance, Risk Management, and Internal Audit functions/teams.

Employees of the Internal Control Function are generally eligible for the short-term incentives as set out in Section 6.3.

7.4 Benefits

In addition to fixed and variable remuneration, the AIFM could pay further benefits or incentives to its employees.

The AIFM offers a range of benefits including:

- Pension plan including life insurance;
- Company car for the senior management;
- Parking place;
- Lunch vouchers.

The provision of working materials (such as laptops or mobile phones) which are to be used for the completion of an employee's professional services, are not considered to be benefits or non-monetary remunerations in the sense of this Policy.

7.5 Special Leave Conditions

If any employee with a deferred bonus payment in accordance with this Policy has worked through a performance period and the employment relationship ends during or after expiry of this performance period, but before the end of the deferral period and the retention period, he/she will be treated pursuant to the same principles as in case of a continuing employment relationship with the AIFM. This rule shall not apply to such employees whom have unilaterally terminated their employment relationship, have been dismissed for fault or dismissed by way of dismissal without notice period.

8 Monitoring

The AIFM conducts annually a review in order to identify all staff whose professional activities have or may have a material impact on the risk profile of the investment firm or the assets it manages. The identification process should be part of the overall remuneration policy of the investment firm.

Such annual appraisal is based on the qualitative and quantitative criteria as defined in Regulation (EU) 2019/2088.

The AIFM will also seek to monitor their delegates to ensure that this policy or an equivalent policy, enabling the AIFM to comply with its regulatory requirements is adopted by them in accordance with the AIFM's Outsourcing and Third-Party Delegation Handbook as well as relevant regulations outlining Remuneration and Disclosure rules.

9 Information Disclosure

This Remuneration and Compensation Policy is available upon request at the registered office of the AIFM and any material changes to this policy will also be made available in the same manner.

The main information contained in this Policy is available in the financial statement of the Funds/AIFs under management. Such external Disclosure shall reflect:

(e) 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;

(f) 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

Such disclosure requirements under Article 22(2)(e) of the AIFMD also apply to the staff of the delegate of an AIFM to whom portfolio management activities have been delegated and can be provided on an aggregate basis i.e. by means of a total amount for all the delegates of the AIFM in relation to the relevant AIF.

10 Review, Maintenance and Amendment

The Policy may be updated from time to time. The Internal Audit regularly reviews the proper compliance of the individual teams/departments involved in with this Policy.

The Senior Management/Conducting Officers shall review this policy and effective arrangements at least on an annual basis and consider on an ad hoc basis any findings and recommendations of the Internal Audit function or Compliance.

Annex I Proportionality assessment