

## REMUNERATION POLICY

### 1. DEFINITIONS AND ACRONYMS

#### Company

Renta4 Luxembourg S.A.

#### Group

Banco Renta 4 S.A. and its subsidiaries

#### Guidelines

CSSF Circular 10/437

#### Identified Staff

Members of the Company's Board of Directors, Conducting Officers, and other Company employees whose activity materially impacts the Company's risk-profile.

### 2. INTRODUCTION

This Remuneration Policy (the "Policy") is consistent with and promotes sound and effective risk management and does not encourage risk-taking inconsistent with the risk profile, rules or instruments of incorporation of the funds managed.

The remuneration policy is in line with the business strategy, objectives, values and long-term interests of Company, such as sustainable growth prospects, and is consistent with the principles relating to the protection of clients and investors in the course of services provided.

The Policy might be modified in the future to take into account evolutions in the regulatory framework.

### 3. SCOPE OF THE POLICY

The Policy applies to identified Staff.

#### Identified Staff

Identified Staff are the members of the Company's Board of Directors, Conducting Officers, and other Company employees whose activity materially impacts the Company's risk-profile.

The Policy only applies to permanent staff of the Company:

- **Members of the Board of Directors:** They receive no variable remuneration for their service as Board Member.
- **Conducting Officers:** The Conducting Officers may receive a variable remuneration.
- **Other employees:** The other employees may receive a variable remuneration. Those involved in control functions such as Risk Management and Compliance and Internal Audit may receive a variable remuneration based on their individual performance and the global results of the Company, but their variable remuneration should not be linked to the performance of functions they monitor.

<b>PROCEDURE REFERENCE :</b>	<b>POL-06</b>	<b>SHORT NAME :</b>	<b>Remuneration Policy</b>
<b>CREATION DATE :</b>	<b>20/01/2016</b>	<b>CREATED BY :</b>	<b>DML</b>
<b>VALIDATION DATE :</b>	<b>2/02/2016</b>	<b>VALIDATED BY :</b>	<b>Board of Directors</b>
<b>LATEST UPDATE</b>	<b>25/09/2019</b>		

## **Delegated functions**

Internal Audit, administration and accounting of the Company are outsourced. Their fees are out of the scope of the Policy (Cf. Guidelines Section I, 1.6.).

The portfolio management function is delegated to portfolio managers whose remuneration is ruled by their own remuneration policies. In the due-diligence process, the Company's Conducting Officer supervising Portfolio Management will ensure that those remuneration policies are consistent with the current Policy.

## **4. GENERAL PRINCIPLES**

### **Structure of Remunerations: Fixed / Variable Components and Benefits**

The fixed component of the remuneration shall represent a sufficiently high proportion of the total remuneration to operate a fully flexible bonus policy.

Where a **significant bonus** is awarded, the main part of the bonus will be deferred with a minimum deferment period. The amount of the deferred part of the bonus is determined in relation to the total amount of the bonus as compared to the total amount of the remuneration.

The appropriate balance of remuneration components may vary across staff members, according to market conditions and the specific context in which the financial undertaking operates.

The deferred element of a significant bonus takes into account the outstanding risks associated with the performance to which the bonus relates and may always consist of equity, options, cash, or other funds the payment of which is postponed for the duration of the deferment period.

The Board of Directors will determine the maximum variable component of the remuneration which is revisable annually.

Once a year, the structure of the remuneration policy is reviewed by the Board of Directors to take care about the new situation of the Company. The Board will especially revise the maximum limit on the variable component. It also ensures the procedures for determining remuneration within the Company is clear and documented and is internally transparent.

In addition to the fixed and variable remuneration, the Company may offer a range of benefits including:

- Pension plan (pension, death, invalidity);
- Complementary medical insurance;
- Luncheon vouchers;
- Mobile telephone.

### **Performance criteria**

The criteria for the variable remuneration are based on longer-term performance and take into account the outstanding risks associated with the performance. When the remuneration is performance-related, its total amount is always based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Company.

The measurement of performance includes an adjustment for current and future risks related to the underlying performance and takes into account the cost of the capital employed and the liquidity required.

The assessment of performance is set in a multi-year framework, with a minimum of 3 years, in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-related components of remuneration is spread over the effective business-cycle of the Company.

Payments related to the early termination of a contract which are awarded on a contractual basis, will be related to performance achieved over time and designed in a way that does not reward failure.

In order for the remuneration policy to be in line with the objectives, the business strategy, the values and the long-term interests of the Company, the assessment of performance is not restricted to financial performance, but includes other factors such as compliance with internal rules and procedures, systems and controls of the financial institution, as well as compliance with the standards governing the relationship with clients and investors.

In particular, the remuneration of the directors other than those who participate in the daily management of the Company or who represent the staff cannot be linked to the short-term results of the Company but takes into account other factors such as the time dedicated to their function and their respective responsibilities.

### **Independence principles**

Staff members engaged in control processes are always independent from the business units they oversee, have appropriate authority, and are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

### **Retention measures**

The Company ensures to be able to withhold bonuses entirely or partly when performance criteria are not met by the individual concerned, the business unit concerned or the Company seen as a whole.

Moreover, the Company makes sure to be able to withhold bonuses in case its 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.

The board of directors of the Company is able to require staff members to repay all or part of the bonuses that have been awarded for performance based on data which was subsequently proven to be fraudulent.

## **5. PROCEDURE**

Every year, according to general principles (Cf. Supra. General Principles), the Board of Directors revises the structure of the remuneration policy to take into account the new situation of the Company. In the elaboration of its review, the Board takes into account in particular all elements regarding the strategy of the Company as well as the strategy regarding risk taking, the nature, scale and complexity of the Company.

To design and update the Policy, it consults key stakeholders such as control functions, i.e. Compliance, Risk Management and Internal Audit, which have been involved in preparing the current Policy and are capable of forming an independent judgement on the suitability of the remuneration policy, including the implications for risk and risk management.

Especially it bases its opinion on the annual report made by the Compliance Officer on the

implementation of the remuneration policy across the Company. A copy of this report is put at the disposal of the CSSF.

The Board will especially revise the maximum limit on the variable component. It also ensures the procedures for determining remuneration within the Company is clear and documented and is internally transparent, especially to staff members.

Without prejudice to confidentiality and data protection provisions, relevant information on the remuneration policy and any updates in case of policy are disclosed by the Company in a clear and easily understandable way to relevant stakeholders through a periodic disclosure in the annual financial statement.

It especially includes the following information:

- a) Total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the Company to the Identified Staff, and number of beneficiaries;
- b) Information concerning the decision-making process used for determining the remuneration policy;
- c) Information on the link between pay and performance;
- d) Information on the criteria used for performance measurement and risk adjustment;
- e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
- f) Main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

This Policy is part of the Company's policies and procedures and therefore, the main principles are available to all permanent staff.

The employees are informed about their remuneration criteria used to measure performance and the link between performance and pay.

## **6. Control points reminder**

<b><u>Name of the Control</u></b>	<b><u>Team in Charge</u></b>	<b><u>Periodicity</u></b>
Ensuring that the remuneration policy is consistent with and promotes sound and effective risk management.	Compliance Officer	Annually
Ensuring that the policy is in line with the interest of the Company and of the fund investors	Compliance Officer	Annually
Reviewing Remuneration Structure	Compliance Officer / Internal Audit	Annually
Ensuring that the control functions' remuneration is independent from the performance of the business areas they control	Compliance Officer	Annually
Ensuring that the disclosure requirements are meet	Compliance Officer	Annually

## **7. REGULATORY BASIS**

## **CSSF Circular 18/698**

### Section 5.5.9.: Remuneration policy

388. In order to promote a sound and prudent risk management, every IFM must implement a remuneration policy in compliance with Articles 111a and 111b of the 2010 Law and/or Article 12 of the 2013 Law respectively.
389. The IFM subject to Chapter 15 of the 2010 Law must also comply with the guidelines of the European Securities and Markets Authority ESMA/2016/5758.
390. *The AIFM must comply with the guidelines of the European Securities and Markets Authority ESMA/2016/5799.*
391. The IFM which intends to take a proportionate approach to compliance with a remuneration principle must inform the CSSF thereof and explain the reasons for it. However, this principle does not exempt an IFM from implementing a remuneration policy.

## **CSSF Circular 10/437 (1 February 2010), “Guidelines concerning the remuneration policies in the financial sector”.**

2.1 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.

2.2 The remuneration policy shall be in line with the business strategy, objectives, values and long-term interests of the financial undertaking, such as sustainable growth prospects, and be consistent with the principles relating to the protection of clients and investors in the course of services provided.

### *Structure of the remuneration policy*

2.3 Where remuneration includes a variable component or a bonus, granted in accordance with performance criteria, the remuneration policy shall be structured with an appropriate balance of fixed and variable remuneration components. The appropriate balance of remuneration components may vary across staff members, according to market conditions and the specific context in which the financial undertaking operates. The remuneration policy of a financial undertaking shall set a maximum limit on the variable component.

2.4 The fixed component of the remuneration shall represent a sufficiently high proportion of the total remuneration allowing the financial undertaking to operate a fully flexible bonus policy. In particular, the financial undertaking shall be able to withhold bonuses entirely or partly when performance criteria are not met by the individual concerned, the business unit concerned or the financial undertaking seen as a whole. The financial undertaking shall also be able to withhold bonuses where its 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.

2.5 Where a significant bonus is awarded, the main part of the bonus shall be deferred with a minimum deferment period. The amount of the deferred part of the bonus shall be determined in relation to the total amount of the bonus as compared to the total amount of the remuneration.

2.6 The deferred element of the bonus shall take into account the outstanding risks associated with the performance to which the bonus relates and may consist of equity, options, cash, or other funds the payment of which is postponed for the duration of the deferment period. The

measures of future performance to which the deferred element is linked shall be risk adjusted as set out in points 2.10 to 2.14.

2.7 Payments related to the early termination of a contract which are awarded on a contractual basis, shall be related to performance achieved over time and designed in a way that does not reward failure.

2.8 The board of directors of a financial undertaking shall be able to require staff members to repay all or part of the bonuses that have been awarded for performance based on data which was subsequently proven to be fraudulent.

2.9 The structure of the remuneration policy shall be updated over time to ensure that it evolves to meet the changing situation of the financial undertaking concerned.

#### *Performance measurement*

2.10 Where remuneration is performance-related, its total amount shall be based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the financial undertaking.

2.11 The remuneration policy shall aim at aligning the personal objectives of staff members with the long-term interests of the financial undertaking concerned. The assessment of the performance-based components of remuneration shall be based on longer-term performance and take into account the outstanding risks associated with the performance.

2.12 The assessment of performance shall be set in a multi-year framework, for example three to five years, in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-related components of remuneration is spread over the business cycle of the undertaking.

2.13 The measurement of performance, as a basis for bonus or bonus pools, shall include an adjustment for current and future risks related to the underlying performance and shall take into account the cost of the capital employed and the liquidity required.

2.14 In order for the remuneration policy to be in line with the objectives, the business strategy, the values and the long-term interests of the financial undertaking, other factors, apart from financial performance, shall be considered, such as compliance with internal rules and procedures, systems and controls of the financial institution, as well as compliance with the standards governing the relationship with clients and investors.

#### *Governance*

2.15 The remuneration policy shall include measures to avoid conflicts of interest. The procedures for determining remuneration within the financial undertaking shall be clear and documented and shall be internally transparent.

2.16 The board of directors shall fix the remuneration of the members of the administrative and management bodies of the financial undertaking. The remuneration of the directors other than those who participate in the daily management of the undertaking or who represent the staff shall not be linked to the short-term results of the undertaking but shall take into account other factors such as the time dedicated to their function and their respective responsibilities.

2.17 In addition, the board of directors shall establish the general principles of the remuneration policy of the financial undertaking and be responsible for its implementation. In the elaboration of this policy, the board shall take into account all elements regarding the strategy of the financial undertaking as well as the strategy regarding risk taking, the nature, scale and

complexity of the undertaking's activities. Within the scope of its supervisory mission, the board of directors shall make sure, on a regular basis, that the financial undertaking has appropriate policies and procedures in place.

2.18 The board of directors may be assisted by a remuneration committee made up of directors other than those who participate in the daily management of the undertaking or who represent the staff.

2.19 Control functions, i.e. risk management, internal control, compliance and similar functions within a financial undertaking as well as the human resources department shall be part of the design of the remuneration policy. They may be assisted by external experts.

2.20 Members of the board of directors responsible for remuneration policy and members of the remuneration committees and staff members who are involved in the design and implementation of the remuneration policy shall have relevant expertise and functional independence from the business units they control and thus be capable of forming an independent judgement on the suitability of the remuneration policy, including the implications for risk and risk management.

2.21 The financial undertaking's authorised management is responsible for implementing the remuneration policy. It shall elaborate procedures to this effect and submit them to the board of directors for approval.

2.22 Without prejudice to the overall responsibility of the board of directors set out in point 2.17, the implementation of the remuneration policy shall be subject, at least on an annual basis, to central and independent internal review by control functions for compliance with policies and procedures defined by the board of directors. The control functions shall report on the outcome of this review to the board of directors. A copy of said reports shall be put at the disposal of the CSSF.

2.23 Staff members engaged in control processes shall be independent from the business units they oversee, have appropriate authority, and be compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

2.24 The authorised management shall inform the relevant personnel of the policies and procedures required by this Circular, and any change thereto remuneration policy shall be accessible to staff members to whom they apply. Those staff members shall be informed in advance of the criteria that will be used to determine their remuneration and of the appraisal process. The appraisal process and the remuneration policy shall be properly documented and transparent to the individual staff members concerned.

### SECTION III

#### *Disclosure*

3.1. Without prejudice to confidentiality and data protection provisions, relevant information on the remuneration policy referred to in Section II and any updates in case of policy changes shall be disclosed by the financial undertaking in a clear and easily understandable way to relevant stakeholders. Such disclosure may take the form of an independent remuneration policy statement, a periodic disclosure in annual financial statements or any other form.

3.2. The following information should be disclosed:

a) information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the name of the external consultant whose services have been used

for the determination of the remuneration policy and the role of the relevant stakeholders;

b) information on the link between pay and performance;

c) information on the criteria used for performance measurement and risk adjustment;

d) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;

e) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

3.3. The level of the information to be disclosed may take into account the nature, the size as well as the specific scope of activities of the financial undertakings concern.