

Engelwood Asset Management S.A

Compliance - Remuneration Policy

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1 About this document

1.1 Purpose of the policy

Engelwood Asset Management S.A ("**AIFM**") is an alternative investment fund manager authorised by the Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier; "**CSSF**") in Luxembourg under Article 5 of Law of 12 July 2013 relating to AIFMs providing in addition to the activities referred to Annex I, services covered by Article 5 (4) of the aforementioned law ("**AIFM Law**"). In addition to the activity of collective portfolio management, its scope of authorisation also includes the provision of discretionary portfolio management services to retail and professional clients.

The purpose of this document is to describe the remuneration practices and to demonstrate the AIFM compliance with the relevant legal and regulatory requirements (AIFM Law and in particular section 388 to 391 of the IFM Circular).

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the AIFs managed.

The remuneration policies and practices shall be designed in such a way so as not to create a conflict of interest or incentive that may lead relevant persons to favour their own interests or the firm's interests to the potential detriment of any client.

The remuneration policy is in line with the interests of the AIFM and the AIFs it manages and the interest of investors of such AIFs in order to avoid conflicts of interest.

The policy may be amended or updated and any such updates and amendments will be communicated to all relevant staff accordingly.

1.2 Definitions

Abbreviation	Definition
AIF	Alternative Investment Fund or a sub-fund thereof managed by the AIFM
AIFMD	Directive 2011/61/EU
AIFM Law	Luxembourg law of 12 July 2013 on alternative investment fund managers as amended
AIFM Regulation	Commission Delegated Regulation (EU) No 231/2013
The AIFM or AIFM	Engelwood Asset Management S.A
AML/KYC	Anti-money laundering/Know your client
Board of Directors	The board of directors of the AIFM
Client	Any legal or natural person which has appointed the AIFM as discretionary portfolio manager
Commission Delegated Regulation 2017/565/EC	Commission Delegated Regulation 2017/565/EC of 25 April 2016 supplementing Directive 2014/65/EU
Conducting Officer	A conducting officer of the AIFM
Control functions	Staff responsible for risk management, compliance, internal audit and similar functions within an AIFM
CSSF	The Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier)
CSSF Circular 14/585	Transposition of the European Securities Markets Authority's guidelines 2013/606 on remuneration policies and practices.
Director	Member of the Board of Directors
ESMA Guidelines on AIFMD	ESMA Guidelines 2016/579 on sound remuneration policies under AIFMD
Financial market participants	AIFMs are defined as financial market participants
Identified Staff	Categories of staff, including senior management, risk takers, control functions and any 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 AIFM's risk profile or the risk profiles of the AIF that it manages and categories of staff of the entity(ies) to which portfolio management or risk management activities have been delegated by the AIFM, whose professional activities have a material impact on the risk profiles of the AIF that the AIFM manages.
Relevant Staff	Employees having an impact, directly or indirectly, on MiFID services provided by the AIFM regardless of the type of clients: <ul style="list-style-type: none"> • Conducting Officers • Portfolio Analysts • Employee members of the Investment Committee
MiFID II	Directive 2014/65/EU of the European parliament and the Council of 15 May 2014.
MiFID Law	The Law of 5 April 2013.
Remuneration	Includes all forms of financial and non-financial benefits or payments provided directly or indirectly by the AIFM to its employees, such as cash, shares, options, cancellations of loans at dismissal, pension contributions, remuneration by third parties for instance through

	carried interest models, wages increase or promotions, health insurance, discounts or special allowances, generous expense accounts.
Risk Manager	The risk manager of the AIFM.
SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

1.3 Department in charge of the Policy

The Compliance Officer is responsible for this Policy.

1.4 Entry into force

This Policy is effective upon its adoption by the Board of Directors.

2 Scope of the policy

The remuneration policy is applicable to Identified Staff (list of the persons considered as Identified Staff attached as Annex 1 to this procedure) and Relevant Person as defined below in section 2.1 and 2.2.

2.1 Persons which fall within the scope of the AIFM Law: Identified Staff

- **Executive and non-executive members of the governing body of the AIFM**
 - Board of Directors (3 persons):

The Directors do not receive any fixed remuneration for their mandate (remuneration only in the form of directors' fees as proposed during the Annual General Meeting of Shareholders), with the exception, however, for the Directors that are involved in the day-to-day management of the AIFM.

- **Senior Management**

- The Conducting Officers (3 persons).

They currently receive fixed remuneration from the AIFM. They may receive a variable remuneration from the AIFM depending on their performance.

- **The Control functions** (staff responsible for risk management, compliance and internal audit):

- One Conducting Officer is in charge of the Compliance Function..
- One Conducting Officer is in charge of the Risk & Valuation Function.
- The internal audit function has been outsourced and is exempt from this policy.

They currently receive fixed remuneration from the AIFM. The Control functions may receive variable remuneration from the AIFM depending on their performance.

- One Conducting Officer is in charge of portfolio management.

- **Other risk takers** whose professional activities have a material impact on the risk profile of the AIFM or any AIF it manages and who receive total remuneration that takes them into the same remuneration bracket as senior management and risk takers (including persons capable of entering into contracts / positions and taking decision that have a risk impact on profile of the AIFM or any AIF it manages). Such staff can include for instance sales persons, individual traders, and specific trading desk:

- Head of the Portfolio Management Function

Other risk takers currently receive fixed remuneration from the AIFM. They may receive variable remuneration from the AIFM depending on their performance.

2.2 Persons which fall within the scope of the MiFID Law: Relevant Persons

Employees having an impact, directly or indirectly, on MiFID services provided by the AIFM regardless of the type of clients:

- Conducting Officers
- Portfolio Analysts
- Employee members of the Investment Committee

Relevant persons receive fixed remuneration from the AIFM. They may receive a variable remuneration from the AIFM depending on their performance. This remuneration policy is designed in such a way so as not to create a conflict of interest or incentive which may lead Identified staff and Relevant persons to favour their own interests or the AIFM interests to the potential detriment of a Client.

2.3 Delegation of activities under AIFMD

The AIFM ensures that the entities to which **portfolio management** has been delegated are subject to regulatory requirements on remuneration that are equally as effective as those under the AIFM Law.

Further information are included in the delegation of functions policy of the AIFM.

2.4 Proportionality under AIFMD

The AIFM complies with the following principles in a way and to the extent that is appropriate due to their size, internal organisation and the nature, scope and complexity of their activities.

At level of the AIFM

Size

- Total value of assets under management: EUR 3,294 Billion estimated as at 31/12/2024;
- Number of employees : 19 employees ;

Internal organization

- Legal structure: S.A.
- Complexity of the internal governance : standard internal governance;
- Listed on Regulated market: No.

Nature, scope complexity of activities

- Type of authorized activity: Collective management of AIFs and Discretionary Services Portfolio Management;
- Type of investment policies and strategies: Liquid (listed stock and bonds) and illiquid asset strategies (real estate, private equity, debt, infrastructure, etc).

The AIFM has elected to rely on proportionality therefore the **following principles of AIFMD are not applicable to Identified Staff and can be disappplied:**

- The requirements on pay-out processes for Identified Staff including:

- a. The payment of variable remuneration in instruments related mainly to the AIF(s) in relation to which they perform their activities.
- b. Deferral requirements.
- c. Retention periods.
- d. Ex-post incorporation of risk (Malus).
- The requirement to establish a remuneration committee.

3 Remuneration structure overview

This policy is aimed at aligning remuneration with prudent risk-taking. The AIFM's remuneration framework is based on:

- A balance of variable to fixed remuneration;
- The assessment of individual performance;

The AIFM may offer remuneration packages based on the following components:

- Fixed salary (i.e. base salary);
- Variable pay;
- Benefits.

4 Base salary

The base salary generally represents a sufficiently high proportion of the total remuneration to allow the possibility to pay no variable remuneration component.

5 Variable pay

Variable pay, if any is broadly designed to attract, retain and motivate its staff without encouraging the taking of inappropriate risks.

Variable remuneration is not paid through vehicle or methods that are employed at artificially evading the remuneration provisions of the AIFM Law including the outsourcing of professional services to firms that fall outside of the scope of AIFM Law.

Structures that are designed to deliberately circumvent the requirements are not utilized.

5.1 Specific provisions applicable

5.1.1 Remuneration of the Directors

Please refer to point 2.1.

5.1.2 Remuneration of the Conducting Officers

Please refer to point 2.1.

5.1.3 Remuneration of Control Functions

Performance measures and variable remuneration for employees responsible for control functions are based on the specific achievements and objectives of their functions and should not be determined

solely by the AIFMD wide performance criteria.

The remuneration structure of control functions should not compromise their independence or create conflicts of interest in their advisory role to the Board of Directors. Control functions should not be placed in a position where, for example, approving a transaction, making decisions or giving advice on risk and financial control matters could be directly linked to an increase or decrease in their variable remuneration.

Employees who fall under this arrangement include employees in Compliance and Risk Management. The remuneration of the senior officers in the Risk Management and Compliance function is directly overseen by the **Board of Directors**.

5.2 Benefit

In addition to the fixed and variable pay, the AIFM offers a range of benefits including:

- Company Pension plan;
- Meal vouchers.

5.3 Guaranteed variable remuneration

Guaranteed payments 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.

5.4 Hedging strategy

Employees are not permitted to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment of their remuneration arrangements.

The AIFM does not pay variable remuneration through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Law.

The AIFM has no long-term incentive plan so that this provision is not applicable at present.

5.5 Bonus withholding (ex post risk adjustments)

Subject to applicable law and regulation and where relevant, the AIFM reserves **the right to withhold any deferred variable remuneration** in the following conditions:

- Evidence of misconduct by the staff member (e.g. breach of code of conduct, if any, and other internal rules especially concerning risks);
- Whether the AIF and/or the AIFM and/or the business unit subsequently suffers a significant downturn in its financial performance;
- Whether the AIF and/or the AIFM and/or the business unit in which the staff member works suffers from a significant failure of risk management.

5.6 Claw Back (ex post risk adjustments)

Subject to applicable law and regulation, the AIFM reserves **the right to demand full or partial repayment from the individual** who has been awarded variable remunerations in the following conditions:

- Fraudulent conduct of staff member; or
- Breach of AIFM Law or ESMA guidelines.

5.7 Pension policy

There are currently no discretionary pension benefits paid to the employees. The employees may benefit only from a defined contribution pension scheme.

6 Appraisal process within the AIFM

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 business unit or AIF concerned and of the overall results of the AIFM**.

Such assessment includes **financial and non-financial criteria** (i.e. qualitative criteria that reflect compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients).

The assessment of the performance is set in a multi-year frame work appropriate to the life-cycle of the AIFs managed by the AIFM in order to ensure that the assessment process is based on longer term performance.

The AIFM 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, the AIFM shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a client when the AIFM could offer a different financial instrument which could better meet that client's needs.

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.

7 Governance

7.1 Board of Directors

The Board of Directors is responsible for the approval of the AIFM's internal organisation, of the effective oversight of Conducting Officers, and of the policies governing the provision of services and activities of the AIFM.

It recommends the remuneration of the Conducting Officers of the AIFM and approves the variable remuneration of risk management and compliance functions.

The Board of Directors, in its supervisory function is required to approve and annually review the remuneration policy and to oversee its implementation:

- This includes alignment with the business strategy, objectives, values and interest of the Company as well as measures to avoid conflicts of interests.
- Furthermore, the Board does not encourage excessive risk taking compared to the investment policy of the funds for which the Company acts as AIFM.

- Finally, the Board enables the Company to align the interest of the funds and their investors with those of the identified staff that manages such funds.

7.2 The Conducting Officers

The Conducting Officers of the AIFM are responsible for ensuring that the remuneration policy is implemented. They elaborate procedures to this effect and submit them to the Board of Directors of the AIFM.

7.3 Control function

The Control functions have been involved in the elaboration of this policy. They have an active role in the design, ongoing oversight and review of the remuneration policies for other business areas. They should assist in determining the overall remuneration strategy applicable to the AIFM, having regard to the promotion of effective risk management.

The implementation of the policy will be subject, at least on an annual regular basis, to a central and independent internal review for compliance. The review and testing will be conducted by either the internal audit department or by an external audit firm on behalf of the Board of Directors. The outcomes of this review will be reported to the Board of Directors.

7.4 Remuneration Committee

Due to proportionality provisions, The AIFM is not required to have a remuneration committee.

8 Disclosure

8.1 External Disclosure

External disclosure of remuneration elements is available in AIF's Annual Report according to AIFM Law.

8.2 Internal Disclosure

The remuneration policy the AIFM is made available to employees who are also periodically informed of the assessment criteria utilised by the AIFM.

9 SFDR Requirements

As per Article 5 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR"), financial market participants (i.e. AIFMs) are required to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites.

As per the SFDR, the AIFM is defined as a "financial market participant".

In accordance with the SFDR, the AIFM includes in its remuneration policy information on how this policy is consistent with the integration of sustainability risks to comply with the requirements set by Article 5 SFDR.

It has to be noted that all Identified Staff are remunerated with a combination of fixed and variable discretionary remuneration where the performance of the funds does not directly impact the remuneration of the Identified Staff.

Bearing that in mind there is no risk misalignment with the sustainability risks associated with the investment decision-making process of the AIFM with regards to the AIFs it manages. The AIFM believes that where portfolio management is retained, its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.

Where the AIFM's portfolio management function is delegated, the AIFM shall ensure that the portfolio manager adopts remuneration policies and procedures, which are consistent with the integration of sustainability risks, if sustainability risks are integrated into the investment decision making process.

Initial and ongoing confirmation will be requested concerning the fact that the remuneration process is not encouraging excessive risk with regards to sustainability and compliance of the remuneration process with Annex II of the AIFM law.

Annex 1:

Jean-Pierre Verlaine	Member of the Board of Directors & Conducting officer
Martine Klutz	Member of the Board of Directors
Herman Schommarz	Member of the Board of Directors
Alex Baëtz	Conducting officer
Steven Curfs	Conducting officer