

# Remuneration Policy

Part 20 of LIS Organizational Manual

Version 2 March 2021

**Service defines us,  
empowers you**

## 1. Legal framework

Sanne LIS S.A. (“**LIS**”) is authorized both as a UCITS management company (“**UCITS ManCo**”) under Chapter 15 of the Luxembourg act of 17 December 2010 relating to undertakings for collective investment, as amended (the “**UCI Act**”), and as an alternative investment fund manager (“**AIFM**”) under the Luxembourg act of 12 July 2013 on alternative investment fund managers, as amended (the “**AIFM Act**”). As such, the Company is subject to the prudential supervision of the Luxembourg supervisory authority of the financial sector, the *Commission de surveillance du secteur financier* (“**CSSF**”).

The Company is required to adopt and implement a remuneration policy:

- (a) as a UCITS ManCo pursuant to article 111 *bis* of the UCI Act, which states that a UCITS ManCo shall establish and apply a remuneration policy in accordance with the provisions of article 111 *ter* of the UCI Act and of the *Guidelines on sound remuneration policies under the UCITS Directive and AIFMD* issued by the European Securities and Markets Authority (“**ESMA**”) on 31 March 2016 (the “**UCITS Remuneration Guidelines**”); and
- (b) as an AIFM pursuant to article 12 of the AIFM Act, which states that an AIFM is required to adopt and implement a remuneration policy in accordance with the provisions of Annex II of the AIFM Act and of the *Guidelines on sound remuneration policies under the AIFMD* issued by ESMA on 3 July 2013 (the “**AIFMD Remuneration Guidelines**” and, together with the UCITS Remuneration Guidelines the “**ESMA Remuneration Guidelines**”).

The detailed provisions introduced with regard to the definition and application of a comprehensive remuneration policy by the legal and regulatory instruments listed above, as interpreted and implemented by the CSSF (notably CSSF Circular 18/698), are hereafter referred to as “**applicable rules**”.

## 2. Introduction

LIS implements this remuneration policy in line with applicable rules and considering the scope and complexity of its business.

The LIS remuneration policy can be summarized as follows:

LIS remuneration policy supports its overarching business strategy, which strives for building long-term relationships with customers and employees, and managing the financial consequences of business decisions across the entire economic cycle. The policy takes also into account the nature, size, and scope of the Company and of each fund it manages. LIS is part of the Sanne Group and this remuneration policy is aligned, as much as possible, to the Sanne Group remuneration policy, which contributes to aligning its long-term objectives and risk appetite with those of its shareholders.

Within the legal framework and scope of action given by applicable rules, the policy is designed to ensure that remuneration attracts and retains employees of the highest caliber and motivates them to perform to the highest standards. At the same time, the objective is to align individual rewards with LIS long-term objectives, its performance, the interests of its clients and shareholders, and to facilitate a prudent approach to risk management (including relevant sustainability risks). In this regard, it balances the interests of our stakeholders, namely customers, shareholders, employees, and regulators.

Striving for building long-term relationships with our customers, business partners and employees by rendering quality services rather than viewing them as counterparties in a money-making transaction means that working for LIS should be about more than pay. The aim of LIS remuneration policy hence is to provide for a fair and

competitive remuneration package with respect to the talent market from which we hire. Employees shall not be dependent on their bonus for living and, to this end, earn a comfortable monthly salary, in order not to incentivize excessive risk-taking nor give reason for fraud.

### 3. Principles and applicability

LIS remuneration policy and its underlying principles are applicable to all employees of LIS.

Under the ESMA Remuneration Guidelines, identified staff are classified as categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the company's risk profile or the risk profiles of the funds and categories of staff of the entity(ies) to which investment management activities or risk management have been delegated by the company, whose professional activities have a material impact on the risk profiles of the funds. The ESMA Guidelines provide further detailed guidance regarding the classification of Identified Staff. On the basis of the same, LIS has determined the following for each category:

➤ **Risk Takers :**

- Members of the Board of Directors of LIS
- Senior Management (Managing Directors and Directors)
- Team Heads
- Portfolio Management employees (having a grade of Managers or above)

➤ **Identified Staff:**

- Risk takers
- Compliance employees (having a grade of Managers or above)
- Risk Management employees (having a grade of Managers or above)
- Internal Audit employees (having a grade of Managers or above)
- Any other employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers

This policy does not directly apply to employees of third parties – such as outsourced service providers or delegated functions. Please also refer to the “Delegates” section below.

The remuneration for LIS employees is divided in two components:

- A fixed salary component, encompassing the basic monthly gross salary (and benefits in kind supplied to the employee without consideration of any performance criteria). This fixed component of the remuneration is determined in the employment contract and will evolve according to the Luxembourg-specific indexation of salaries or reviewed annually as decided by the management of LIS taking notably into account the benchmark of the relevant talent market.
- A variable salary component, consisting of additional payments and/or benefits. In principle, the variable component is determined annually by the management on a discretionary basis further to the individual appraisals (the individual performance of the employee takes into account financial and non-financial criteria) and to the financial performance of LIS and/or the Sanne Group.

As a general rule, the fixed salary component represents the main compensation for the employee while the variable component constitutes a contingent complementary payment. No employee is contractually entitled to receive a bonus, and no “guaranteed bonuses” are agreed upon at LIS.

The only exception to this may be, on a case by case basis and not as a general element of employment contracts, an agreed “on-boarding” bonus for the first year of employment in order to recruit a special talent. This exemption is strictly limited to the first year of employment.

In addition, LIS may grant “a referral bonus” when an existing employee refers a potential candidate and such referral results in the candidate being hired and completing successfully his/her probation. LIS may discretionally choose to continue or discontinue such scheme in the future. Employees involved in Business Development may receive part of their remuneration based on a contractually agreed sales scheme. Senior employees may be eligible to the Sanne SMIP scheme under which they may be awarded Sanne Group shares which are subject to deferral, claw-back and vesting conditions in line with this remuneration policy where applicable.

#### 4. Variable compensation

Employees of LIS are in principle eligible to receive a bonus, when the financial performance of LIS and/or the Sanne Group allows for it, for as long as the quality of work is showing a constant positive impact to the current and future development of LIS, by taking into account and abiding by all legal guidelines, regulations and the code of conduct that govern the company. This includes considering, applying and enhancing relevant sustainability guidelines, policies and rules necessary or useful to promote and comply with the ESG commitments of LIS, the Sanne Group and the relevant funds.

In contrast to this, should an employee try to achieve a higher bonus by taking considerable risks for the company or a fund it manages, which might put the company or the fund into peril, or by conscious and voluntary contravention to applicable laws and regulations, such employee will not be eligible for a bonus.

To clarify decidedly: LIS 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 company/group seen as a whole and there is no guarantee for a yearly bonus (with the exceptions as described above). LIS shall also be able to withhold bonuses where its situation (or the situation of the Group) deteriorates significantly.

In addition, the board of directors of LIS shall be able to require staff members to repay all or part of the variable remuneration that have been awarded for performance based on data, performance or other criteria, which was subsequently proven to be fraudulent by the employee. Forfeiture and repayment of the amount awarded with the deferred payment has to apply in the following cases (claw-back).

- If an employee act fraudulently or dishonestly
- If the performance that led to the incentive is found to be unsustainable

Criteria for allocation of a bonus:

1. The allocation of a bonus is based on the individual performance and depends on the financial results of LIS and/or the Sanne Group. Subject to “Proportionality” below, the individual performance assessment shall be set in a multi-year framework (generally three years or, for those who joined LIS for less than three years, from the date on which they joined), with regular reviews through informal discussions between individuals, and with two formal reviews each year, during which the attainment

- of the objectives will be checked, that have been set in the objective setting of the preceding year (including non-financial criteria).
2. The evaluation of the achievement of objectives is to be done in an absolute manner, by comparing defined goals and achievements for each employee. In addition, there will be a relative comparison to determine, whether and in which way the employee has contributed to the development of the company, taking into consideration the strategy, compliance with internal rules and procedures, systems and controls of LIS, as well as compliance with the standards governing the relationship with clients and investors, etc. The performance review is conducted by the respective line manager of the employee.
  3. The performance of the individual and the overall results of LIS and/or the Sanne Group as a whole will also have to be considered when determining the allocation of a bonus. In the widest sense, the market situation and the economic environment during the course of the year will also be reflected. For staff members engaged in control processes and who are independent from the business units they oversee, they will be compensated in accordance with the achievement of the objectives linked to their functions and/or to the overall financial performance of LIS / the Sanne Group, independent of the performance of the specific business areas they control (i.e. risk management, internal audit, and compliance function).

## 5. Company-wide rules

LIS applies the following principles:

- (a) staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- (b) guaranteed variable remuneration is exceptional, occurs only in the context of hiring new staff and is limited to the first year of engagement (see above for additional exceptions);
- (c) payments relating to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure;
- (d) the variable component of the remuneration may not represent more than fifty percent of the total remuneration;
- (e) the pension policy (where applicable) is in line with the business strategy, objectives, values and long-term interests of LIS and the funds that it manages; If the employee leaves LIS before retirement, discretionary pension benefits shall be held by LIS for a period of five years in the form of instruments. In the case of an employee reaching retirement, discretionary pension benefits shall be paid to the employee in the form of instruments, subject to a five-year retention period;
- (f) staff are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
- (g) variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements laid down in the applicable rules.

## 6. Non-cash instruments

Subject to “Proportionality” below, a substantial portion of any variable remuneration component paid to an identified staff shall consist of non-cash instruments.

The instruments referred to above shall be subject to an appropriate retention policy designed to align incentives with the interests of LIS and the funds that it manages and the investors of such funds.

## 7. Deferral Mechanism

LIS respects the requirements concerning deferral of Remuneration for identified staff according to the ESMA Remuneration Guidelines.

Subject to “Proportionality” below, the deferral period starts when a variable remuneration is granted and ends when the last variable remuneration has vested. The deferral period is three years (composed of one year before crystallization and two years vesting).

Subject to “Proportionality” below, the proportion of the variable remuneration of identified staff that should be deferred is forty percent.

The deferred portion will vest at the end of the vesting period or on a pro-rata basis.

## 8. Adjustments – malus/claw back arrangements

Subject to “Proportionality” below, the remuneration paid by LIS to any person who has been identified by LIS as identified staff shall be subject to the following additional rules:

- (h) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components shall include an adjustment mechanism to integrate relevant types of current and future risks including relevant sustainability risks; and
- (i) the variable remuneration, including the deferred portion, may be subject to adjustments, including through malus or claw back arrangements.

## 9. Proportionality

LIS has set a *de minimis* threshold (expressed as both an amount of variable remuneration and a percentage of variable remuneration over the fixed remuneration) below which LIS has assessed that it would not be proportionate to apply the rules set in this policy and which relate to multi-year assessment rules and pay-out process (i.e. deferral, non-cash instruments, adjustments, malus and claw back arrangements).

Identified staff whose variable remuneration is below such *de minimis* are not subject to those rules.

**The *de minimis* is set as the higher of (i) 100,000€, and (ii) 30% of the total annual remuneration paid by LIS to the relevant person.**

## 10. Conflicts of interest

All conflicts of interest shall be handled as stipulated in the LIS Conflicts of Interest Policy.

## 11. Delegates

- (a) With respect to the UCITS funds it manages, when delegating investment management functions (including risk management), where the remuneration rules would otherwise be circumvented, LIS shall check that:
- the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines ESMA/2016/411; or
  - appropriate contractual arrangements are put in place with entities to which investment management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines ESMA/2016/411; these contractual arrangements should cover any payments made to the delegates' identified staff as compensation for the performance of investment management activities on behalf of LIS.
- (b) With respect to the AIF funds it manages, when delegating portfolio management or risk management activities, LIS will check that:
- the entities to which portfolio management or risk management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the ESMA Guidelines ESMA/2013/232; or
  - appropriate contractual arrangements are put in place with entities to which portfolio management or risk management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines ESMA/2013/232; these contractual arrangements should cover any payments made to the delegates' identified staff as compensation for the performance of portfolio management or risk management activities on behalf of LIS.
- (c) LIS implements the above rules in accordance with the relevant regulatory practice developed or accepted by the CSSF from time to time (e.g. establishment of gap analysis solely for those delegates who are neither domiciled within the EU nor are affiliated to any EU financial institutions).

## 12. Disclosure

This policy and any amendments will be disclosed by LIS in a clear and easily understandable way to all 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 and will encompass the required information as specified in applicable rules.

### 13. Final remarks

This remuneration policy is adopted and regularly reviewed (at least annually) by the Board of directors. The Human Resources function of LIS shall report to the Board of directors on an annual basis regarding the implementation and review of this policy and shall keep up-to-date the list of risk takers and identified staff.

The Company does not currently have any remuneration committee within the meaning of the ESMA Remuneration Guidelines.

### 14. Effective date

Unless as otherwise decided by the board of directors of LIS, each amendment to this remuneration policy shall be effective as of the next bonus period to start after the board decision approving the relevant amendment.

### Version control

Title	Version
Remuneration Policy	V March 2021
Remuneration Policy	V 2 March 2021



**Professionalism**  
sets us apart,  
strengthens your business