

Remuneration Policy

Overview

The UCITS V Directive (“UCITS V”) amends the regulatory framework for Undertakings for Collective Investment in Transferable Securities (“UCITS”) and contains stringent rules on manager remuneration. This development reflects the trend currently sweeping across the EU, wherein regulatory change is being promoted in order to ensure that remuneration policies promote sound and effective risk management and discourage excessive risk taking.

According to UCITS V, each UCITS management company or self-managed investment company (“UCITS Manager”) must put in place remuneration policies and practices that:

- are consistent with and promote sound and effective risk management of the UCITS;
- do not encourage risk-taking which is inconsistent with the risk profiles or fund rules governing the relevant UCITS; and
- do not impair compliance with the UCITS Manager’s duty to act in the best interest of the UCITS.

In addition, the remuneration policies and practices must respect a number of stipulated principles, set out in Article 14(b) of UCITS V, dealing with governance, and pay structure and risk alignment (the “Principles”). UCITS V also requires certain UCITS Managers to establish a remuneration committee. The Directive also requires UCITS Managers to disclose information regarding their remuneration policy. Moreover, the remuneration policies and practices should also apply in a proportionate manner to any third party which takes investment decisions that affect the risk profile of the UCITS because of functions delegated to it.

Application of the Policy

The general obligation to have sound remuneration policies and practices applies to all UCITS Managers, regardless of their size or systemic importance. The remuneration policies and practices must cover all staff whose professional activities have a material impact on the risk profile of the UCITS Manager or of the UCITS it manages at either fund or sub-fund level. These include directors, committee members, portfolio managers and investment decision-makers, compliance officials and the designated compliance officer as well as risk officials.

The remuneration requirements apply to all remuneration paid either by the UCITS Manager or by the UCITS itself. Remuneration includes both fixed and variable pay, early termination payments and pension payments. It also covers performance fees as well as non-cash benefits, such as share options. However, it does not cover payments that pose no incentives in terms of risk such as gym membership.

Principles affecting pay structure and risk alignment

UCITS V requires UCITS Managers to comply with a detailed list of Principles when establishing and maintaining their remuneration policies and practices. In particular, UCITS Managers must:

- i. Appropriate balancing of the fixed and variable components of total remuneration such that the fixed component represents a sufficiently high proportion of the total remuneration and there is the option of paying no variable remuneration;
- ii. Guaranteed variable remuneration should be exceptional and occur only with respect to new staff hires in the first year of their engagement;
- iii. the assessment of performance should be set in a multi-year framework appropriate to the holding period recommended to the investors of the UCITS;
- iv. payments relating to the early termination of a contract should reflect performance achieved over time and should be designed in a way that does not reward failure;
- v. a substantial portion (and at least 40 %) of the variable remuneration component, should be deferred over a period which is appropriate: (a) in view of the holding period recommended to the investors of the UCITS concerned; and (b) is correctly aligned with the nature of the risks of the UCITS in question;
- vi. subject to the legal structure of the UCITS and its fund rules or instruments of incorporation, a substantial portion (and at least 50 %) of any variable remuneration component consists of units of the UCITS concerned, equivalent ownership interests, share-linked instruments or equivalent non-cash instruments unless the management of the UCITS accounts for less than 50 % of the total portfolio managed by the management company, in which case the minimum of 50 % does not apply; and
- vii. 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.

Management companies that are significant in terms of their size or of the size of the UCITS that they manage, their internal organisation and the nature, scope and complexity of their activities will also need to establish a remuneration committee.

Disclosure requirements

Under UCITS V, certain disclosures regarding remuneration are required. Details of the remuneration policy and practices are required to be disclosed either in the UCITS' prospectus and key information document ("KID") or on the UCITS Manager's website (provided that if disclosed on the UCITS Manager's website, a summary is provided in the UCITS' prospectus and KID). Furthermore, the annual report of a UCITS must disclose the amount of remuneration paid by the UCITS Manager for the financial year (split into fixed and variable), the number of beneficiaries and any amount paid out of the assets of the UCITS, including any performance fee.

Article 5 of Regulation (EU) 2019/2088 ("SFDR") - The Remuneration Policy takes sustainability risks into account

The Disclosure Regulation sets out harmonised rules for financial market participants on transparency about the integration of sustainability risks and the consideration of negative

sustainability impacts in their processes and the communication of sustainability information with respect to financial products.

In addition, this Regulation sets out the obligation for financial market participants to publish written policies on the integration of sustainability risks (including details on the criteria for aligning the remuneration policy with performance indicators) and to ensure the transparency of this integration.

In terms of remuneration, the objective is t

- Achieve greater transparency, in qualitative or quantitative terms, with respect to remuneration policies
- Promote sound and effective risk management regarding sustainability risks.
- Ensure that the remuneration structure does not encourage excessive sustainability risk-taking, and that it is linked to risk-adjusted performance.

BOV Asset Management Limited's ("BOVAM") views its remuneration policy to be consistent with the integration of sustainability risks. Indeed, there is no component of BOVAM's remuneration structure which is geared towards creating an incentive or bias towards excessive risk taking to the detriment of environmental, social or governance matters and/or sustainability generally ("ESG Factors").

Assessment of Alignment

BOVAM conducted a thorough review of its remuneration policy to assess any potential misalignment with the integration of sustainability risks.

Given that sustainability risks are not integrated into BOVAM's investment process, the very limited impact on the risk-profile of its clients, as well as the nature of its business, BOVAM deems that there is no risk of misalignment between the remuneration policy and the integration of sustainability risks. The performance metrics and incentives are solely based on financial performance and risk management, which are aligned with BOVAM's current investment strategy.

Any revision or modification of the information concerning the inclusion of sustainability risks in the Policy will be justified by BOVAM, which undertakes to keep the information published on its website up to date.

The Board of Directors, the Compliance Officer and the most senior official within BOVAM are responsible to ensure adherence to the policy.