Degroof Petercam | Asset Management

REMUNERATION POLICY

☐ **Confidential**

☐ **Internal**

☑ **Public**

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INTRODUCTION

This document is the general remuneration policy of Degroof Petercam Asset Management (hereinafter "**Remuneration Policy**"), a subsidiary of Bank Degroof Petercam, a Belgian credit institution.

1.1 Scope of application

The Remuneration Policy applies to all Colleagues, including Colleagues engaged in Control Functions.

There is a specific Remuneration Policy for Identified Staff, which applies to DPAM colleagues identified by the Management Committee in accordance with the selection methodology and criteria established by the Board of Directors.

The principles and provisions set out in this Remuneration Policy apply to Degroof Petercam Asset Management (hereinafter "**DPAM**"), and to its Colleagues in Belgium and abroad, regardless of the status of those Colleagues.

1.2 Regulatory context and objective

The Remuneration Policy is established in accordance with the requirements of the rules on remuneration policy in AIF and UCITS management companies. Since DPAM is a subsidiary of a credit institution providing investment services, the remuneration policy also takes into account of the rules and regulations applicable to its parent company.

The Remuneration policy takes into account :

- specific directive, guidance and regulation of Regulatory Authorities,

- European securities and markets authority (ESMA) guidelines on sound remuneration policies under the UCITS Directive and AIFMD.

These legislative and regulatory references are listed in Appendix 1.

1.3 Objective of the Remuneration Policy

The objective of the Remuneration Policy is to manage the remuneration mechanisms within DPAM with a view to promoting sound and effective risk management while not encouraging risk-taking that exceeds the level of risk tolerated by DPAM, in line with the interests of its clients, while promoting DPAM's objectives and long-term interests and the absence of conflicts of interest.

1.4 Characteristics specific to DPAM

DPAM is a UCITS and AIF management company whose securities are not listed on the stock market. It is a subsidiary of Bank Degroof Petercam SA. DPAM is also authorised to provide investment services (individual portfolio management and investment advice) within the meaning of Article 3, 22°(a) and (b) of the "UCITS" Act (Act of 3 August 2012) and Article 3, 43°(a), (b) and (c) of the "AIFM" Act (Act of 19 April 2014).

It puts its role as manager before risk taking for own account and bases its development on interaction between its various activities such as managing assets for institutional clients and managing collective investment undertakings. DPAM is managed from a long-term perspective that seeks to align the interests of its clients, staff and shareholders. It has a strong business culture and surrounds itself with colleagues who subscribe to this culture and share its long-term vision.

DPAM has always adopted prudent management and strict risk control with a view to ensuring the continuity of its business and to avoiding excessive volatility of annual results while securing long-term growth.

This is reflected in DPAM's risk management strategy as follows:

- Adoption of a suitable remuneration policy that does not encourage and actually discourages significant risk-taking,
- Optimal and active prevention and management of conflicts of interest,
- Minimising market risks and credit risks in own account activities,
- Prudent management regarding liquidity,
- Prudent strategic management
- Managing assets for institutional clients and managing collective investment undertakings from a long-term perspective.

Therefore, DPAM's risk profile is low in view of its activities and risk management policy.

1.5 Relationship with other rules on remuneration and performance monitoring

The provisions of the Remuneration Policy apply to and supersede any internal provisions, contractual or otherwise, or local provisions on remuneration or performance monitoring which are less restrictive than the former.

Conversely, internal or local provisions (such as, for example, in countries where DPAM has set up a branch) on remuneration or performance monitoring will be maintained if they are more restrictive than the provisions of the Remuneration Policy or if they govern situations not covered by the Remuneration Policy, provided that the former provisions are not contrary to the principles set out in the Remuneration Policy.

1.6 Interpretation

In addition to the terms defined elsewhere in the Remuneration Policy, the definitions contained in Annex 2 apply to the whole of the Remuneration Policy, unless specified otherwise.

2. GENERAL REMUNERATION PRINCIPLES

2.1 For the purposes of the Remuneration Policy and all related documents, Remuneration consists either of Fixed Remuneration or of Variable Remuneration.

2.2 The following general remuneration principles apply to all Colleagues:

(i) Degroof Petercam's Group Management Committee with the support of the GHR (Group Human Resources Department of Bank Degroof Petercam) is responsible, within the Degroof Petercam banking group and its subsidiaries, for harmonising jobs and for promoting homogeneous treatment of remuneration packages and other benefits granted to staff members based on the functions and responsibilities assumed.

(ii) The GHR implements an annual Individual Appraisal process (Performance Management Cycle)

(iii) In this context, DPAM delegates responsibility for daily administration of human resources to the GHR.

(iv) All internal or local practices or provisions on remuneration or performance monitoring which co-exist with the Remuneration Policy must:

a) be in line with DPAM's business strategy, objectives, values and level of tolerated risk;

b) support DPAM's long-term interests as well as the interests of DPAM clients, *inter alia* by aiming to avoid conflicts of interest;

c) be consistent with and promote sound and effective risk management and support effective risk control as well as the protection of a sound and strong capital base;

d) comply with international and Belgium regulations on remuneration policies;

e) are adequately established in writing to enable suitable checks to be carried out with respect to their implementation;

(v) The total variable remuneration does not limit DPAM's ability to strengthen its own funds. To that end, variable remuneration is only awarded where there is a sufficient margin to allow for a Variable Remuneration allocation[1].

(vi) Guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and is not part of prospective remuneration plans. Therefore, guarantee variable remuneration will only be awarded in exceptional circumstances and only when hiring new Collaborators and for their first year of employment, provided that DPAM has a sound and strong capital base;

[1] This allocation is set by DPAM's Board of Directors within the guidelines determined by the Board of Directors of the Bank Degroof Petercam.

(vii) Colleagues cannot use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Likewise, DPAM will not accept any request to pay variable remuneration through vehicles or methods that facilitate the non-compliance with the Remuneration Policy and the Remuneration Policy for Identified Staff;

(viii) Any pension policy is in line with DPAM's business strategy, objectives, values and long-term interests. Furthermore, DPAM grants no Discretionary Pension Benefits as part of variable remuneration;

(ix) Without prejudice to the binding rules on the termination of employment, self-employment and mandate contracts, payments relating to the termination of a contract must reflect performance achieved over time and will not reward failure or misconduct.

2.3 The following general remuneration principles also apply to Control Functions:

(i) The level of fixed remuneration is sufficiently high to ensure that qualified and experienced Colleagues can be hired and retained;

(ii) As far as the ratio between fixed remuneration and variable remuneration is concerned, most of the weight is given to fixed remuneration;

(iii) Variable remuneration is predominantly based on specific objectives related to the performance of functions, which include qualitative criteria, but which are not directly based on the financial performance of the areas of activities and business levels that they control directly.

3. PRINCIPLES RELATING TO PERFORMANCE MONITORING

3.1 The following principles relating to performance monitoring apply to all Colleagues:

(i) At the start of the performance period, the Colleague and one of his line managers will jointly draw up a set of performance objectives in line with DPAM's strategy.

(ii) As a continuation of DPAM's internal policies on preventing and managing conflicts of interest, performance objectives help to avoid creating conflict of interest situations resulting, in particular, from incentives that may encourage Colleagues to favour their own interests or DPAM's interests to the potential detriment of clients.

Therefore, the set of performance objectives will include a substantial portion of qualitative criteria and will not establish any direct link between the sale (of categories) of specific financial instruments and variable remuneration;

(iii) A performance assessment is carried out at the end of the performance period by one of the line managers, based on financial and non-financial, individual and/or collective criteria;

(iv) All performance objectives and performance assessments are appropriately recorded in writing.

3.2 Notwithstanding point 3.1, the following principles relating to performance monitoring apply to Control Functions:

(i) At the start of the performance period, the Colleague and the head of the department to which the Control Function belongs mutually establish a set of performance objectives.

Control Function objectives are established while in consideration of the following constraints:

a) Objectives are predominantly objectives linked to the exercise of functions including for a significant portion of the qualitative objectives;

b) If financial objectives are included among the objectives not linked to the exercise of functions, these cannot be linked to financial performance in areas of activity and business levels that the Control Function controls directly, but only to the financial results of Bank Degroof Petercam and/or DPAM as a whole;

c) At no stage can the performance objectives of a Control Function undermine his independence or create a conflict of interests or, more specifically, have the consequence that one of his decisions or actions can have a direct effect on the achievement of his financial objectives and the level of his variable remuneration.

(ii) A performance assessment is carried out at the end of the performance period by one of the line managers and will be validated by the head of the department to which the Control Function belongs;

(iii) All performance objectives and performance assessments are appropriately recorded in writing.

3.3 The Compliance and Risk Management Control Functions will, on a random sampling basis established by Compliance and Risk Management, verify Colleagues' individual or group performance objectives which have been set for a given year, as well as the link between the degree to which these are achieved and the variable remuneration awarded on the basis of the performance assessment.

4. GOVERNANCE OF REMUNERATION

4.1 The following bodies and functions are involved in DPAM's Remuneration Policy:

(i) DPAM's Board of Directors

(ii) DPAM's Management Committee

(iii) Remuneration Committee

(iv) DPAM's Board of Directors Core Committee

(v) Control Functions

4.2 DPAM's Board of Directors

DPAM's allocation for variable remuneration is set by its Board of Directors, based on general guidelines established by the Board of Directors of Bank Degroof Petercam taking into account the principles set out in point 2.2 (v) above.

4.3 DPAM's Management Committee

DPAM's Management Committee implements the remuneration policy with the assistance of the GHR.

The remuneration policy forms an integral part of the governance memorandum prepared under the Management Committee's responsibility and approved by the Board of Directors Core Committee.

The members of the Management Committee are involved individually, for the staff members for whom they have hierarchical responsibility, in setting variable remuneration via the annual Individual Appraisal process (Performance Management Cycle).

The Management Committee makes individual decisions on remuneration of staff members who are not engaged in a control function, are not executive members of the Board of Directors and not categorised as "Identified Staff".

4.4 Remuneration Committee

As regards the implementation of the Remuneration Policy, DPAM's Remuneration Committee is the Remuneration Committee of Bank Degroof Petercam, which, for this role, comprises non-executive members of the Board of Directors[2].

[2] Its composition will possibly be altered at a later date to conform to possible legislative changes.

The Remuneration Committee

(i) Gives opinions on the variable remuneration proposals made by the line managers as part of the annual Individual Appraisal process (Performance Management Cycle) with a view to ensuring the consistent application of the Policy within the group.

As regards the remuneration of employees, executives and managers (with the exception of the members of the Management Committee), it analyses the recommendations of the heads of department and proposes new "packages" while ensuring that these are general consistent and coherent with the Remuneration Policy and the Remuneration Policy for Identified Staff and the sectoral provisions applicable.

(ii) Gives opinions and makes decision proposals to the Board of Directors Core Committee on:

- the Remuneration Policy within DPAM and any amendment made to this;
- the Remuneration of Identified Staff, Control Functions and executive members of the Board of Directors.

In its opinions and decision proposals, the Remuneration Committee takes into account the proposals and recommendations made by the heads of department and the long-term interests of shareholders, investors and other stakeholders in DPAM and the public interest.

4.5 DPAM's Board of Directors Core Committee

The Board of Directors, for the part consisting only of its non-executive members (hereinafter "Board of Directors Core Committee"), plays a central role in compliance with the DPAM remuneration policy. It is the ultimate place for decision-making and supervision.

The Board of Directors Core Committee

(i) Makes decisions on the Remuneration Policy within DPAM (particularly in the event of change in the Policy, in the annual appraisal process, etc.) based on the opinions and proposals made by the Remuneration Committee.

(ii) Makes individual decisions on the remuneration of Identified Staff and control functions.

(iii) Makes individual decisions on the remuneration of the executive members of the Board of Directors.

(iv) Is the only body authorised to agree to exemptions to the Remuneration Policy.

4.6 Control Functions

(i) Colleagues who are engaged in independent operational control functions are independent from DPAM's business units and hold the necessary powers to ensure the satisfactory performance of their functions.

(ii) The Control Functions, and more specifically Risk Management and Compliance, work closely with the Board of Directors Core Committee, the Management Committee and the Remuneration Committee, to ensure that the Remuneration Policy is properly applied and that the Remuneration Policy and the Remuneration Policy for Identified Staff is periodically assessed.

(iii) As part of this cooperation, the Control Functions may at any time express opinions at their own initiative or at the request of the bodies concerned.

(iv) The Control Functions also assist in determining DPAM's general remuneration strategy, taking into account the promotion of effective risk management.

5. PREVALENCE OVER OTHER INTERNAL REGULATIONS, POLICIES OR GUIDELINES

Given, firstly, the binding nature of the rules and regulations on which the Remuneration Policy is based and, secondly, the objectives of the Remuneration Policy, in the event of discrepancy between a provision of any other internal regulation, policy or guideline and the Remuneration Policy, the latter will prevail.

6. MISCELLANEOUS

6.1 The Remuneration Policy will be regularly assessed (at least once a year) by the Board of Directors Core Committee to ensure that the systems and internal control mechanism and other arrangements put in place are effective and that its principles are suitable and conform both to DPAM's situation and the regulations applicable.

This assessment will also involve checking that the decisions taken in relation to variable remuneration conform to the Remuneration Policy.

This assessment will take place under the supervision of the Board of Directors Core Committee, with the involvement of the Remuneration Committee and the Control Functions.

If necessary, appropriate measures will quickly be taken to remedy any shortcomings.

6.2 All staff members have access to the general principles governing the Remuneration Policy since the latter is a published document.

7. ENTRY INTO FORCE

The Remuneration Policy enters into force on 18 March 2016.

ANNEXE 1

REGULATORY CONTEXT

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (***CRD IV***) and the transposition of that directive into Belgian national law and, in particular, the Law of 25 April 2014 on the status and supervision of credit institutions;

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (***AIFMD***) and the Law of 19 April 2014 transposing that directive into Belgian law

- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (***UCITS V***) and the act transposing that directive into Belgian law.

- Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments and Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms (***MiFID***) and the Law of 2 August 2002 on supervision of the financial sector and on financial services as well as the Royal Decree of 3 June 2007 laying down rules and arrangements for the transposition of the directive on markets in financial instruments with regard to European and Belgian provisions on conflicts of interest and rules of conduct in markets in financial instruments.

- the specific guidelines of the BNB and FSMA, principally:

    - Circular CBFA_2009_34 of 26 November 2009 Recommendation on the adoption of a sound remuneration policy in financial institutions

    - CBFA Regulation of 8 February 2011 and CBFA Circular 2011-05 of 14 February 2011 (which introduces into Belgian regulations the Committee of European Banking Supervisors' guidelines of 10 December 2010 – ***CEBS Guidelines***)

    - FSMA_2013_19 of 4/12/2013 Remuneration policies and practices (MiFID directive): implementation by FSMA and ESMA 203/606 Remuneration policies and practices guidelines (MIF Directive) 3 June 2013

    - FSMA_2014_10 of 29/09/2014 Guidelines on remuneration policies applicable to alternative investment fund managers: implementation by FSMA and ESMA 2013-232 Guidelines on remuneration policies applicable to alternative investment fund managers, version of 30 January 2014

    - ESMA (European Securities Markets Authority) Guidelines on sound remuneration policies under the UCITS Directive and AIFMD of March 31, 2016.

ANNEXE 2

INTERPRETATION – DEFINITIONS

The following terms used in the Remuneration Policy and its annexes have the meaning given to them below:

Bank Degroof Petercam means Bank Degroof Petercam SA

Board of Directors means Degroof Petercam Asset Management's board of directors.

CBFA means *Commission bancaire, financière et des assurances*, the Belgian Banking, Finance and Insurance Commission.

Colleague means any employee and self-employed worker, including any executive director and member of an executive committee, who principally carries out his professional activities for Degroof Petercam Asset Management (for short "DPAM").

Control Functions means any Colleague employed in one of the following departments which are engaged in independent operational control functions: Compliance, Risk Management and Internal Audit.

Discretionary Pension Benefits means additional pension benefits granted on a discretionary basis to a Colleague and forming part of that Colleague's Variable Remuneration. These benefits do not include the vested rights granted to a Colleague according to the regular retirement scheme and financed recurrently within DPAM.

Fixed Remuneration or fixed remuneration means any contractually fixed remuneration granted independently of the Colleague's performance. Guaranteed Variable Remuneration, Severance Pay and remuneration packages relating to compensation or buy out from contracts in previous employment are not considered to form part of Fixed Remuneration.

FSMA means *Financial Services and Markets Authority,* the Belgian Financial Services and Markets Authority.

GHR or Group Human Resources Department means the Human Resources Department of Bank Degroof Petercam S.A.

Identified Staff means DPAM's Colleagues and those of its subsidiaries, identified by the Management Committee in accordance with the selection methodology and criteria set by the Board of Directors (see Annex 2 - Remuneration Policy for Identified Staff).

Management Committee means Degroof Petercam Asset Management's management committee.

Regulatory Authorit(y)/ (ies) means the supervisors to which DPAM is subjected according to the applicable regulations.

Remuneration policy means the general remuneration policy for all Colleagues including the Colleagues engaged in Control Functions.

Remuneration or remuneration means any form of allowances, payments and benefits, including non-financial ones, granted directly or indirectly, but on behalf of DPAM, in exchange for work-related services carried out by a DPAM Colleague.

Severance Pay means any payment connected with the early termination of a contract, not classified as Variable Remuneration.

Variable Remuneration or variable remuneration means any remuneration, discretionary or otherwise, consisting of additional allowances, payments or benefits depending on the Colleague's level of performance or other contractual criteria, including, *inter alia*, any performance bonus established by collective labour agreement or other inducement payments but excluding any payment or benefit granted as a non-recurrent benefit linked to results on the basis of a collective labour agreement implementing collective labour agreement no. 90 as well as any payment or benefit granted as part of a company profit sharing scheme in accordance with the Belgian Act of 22 May 2001.