



## **GENERAL REMUNERATION POLICY**

**CAIXABANK ASSET MANAGEMENT LUXEMBOURG, S.A.**

## Contents

1.	INTRODUCTION.....	3
2.	APPLICABLE STANDARDS.....	3
3.	SCOPE OF APPLICATION OF THE GENERAL REMUNERATION POLICY.....	3
4.	GENERAL PRINCIPLES OF THE REMUNERATION POLICY.....	4
5.	GOVERNANCE.....	4
5.2	Control and Supervision Duties.....	5
6.	COMPONENTS OF REMUNERATION.....	5
6.2	Fixed remuneration.....	6
6.3	Variable remuneration .....	6
6.3.1	Cases affecting the receipt of variable remuneration .....	7
6.3.2	Management of employee registrations in and drops from variable remuneration plans.....	7
6.4	Payments for early termination.....	8
7.	REVIEW AND EVALUATION OF THE APPLICATION OF THE REMUNERATION POLICY .....	8
8.	EFFECTIVENESS OF THE REMUNERATION POLICY .....	8
9.	INTERNAL COMMUNICATIONS.....	8

### Register of approval and revisions

Version	Description of changes	Effective date
1	Initial version	12/12/2018
2	Periodical review: insertion of a table of contents, update of regulatory references, formatting updates	29/09/2020
3.0	Annual review: no particular update	30/09/2021

## 1. INTRODUCTION

The application of a sound remuneration policy for the personnel of a management ManCo constitutes an essential aspect of its corporate governance, given the potential influence that remuneration practices may have on the risk profile of the ManCo and the funds managed, and on potential conflicts of interest.

All sector regulations applicable to **CAIXABANK ASSET MANAGEMENT LUXEMBOURG, S.A.** (“**CABK AM LUX**” or “**the ManCo**”) as a management ManCo, have a significant impact on the need to provide sound remuneration policies, both in relation to senior executives, risk takers and those persons that exercise control functions, and in general the rest of the ManCo's personnel.

In accordance with the foregoing, the purpose of this document is to establish the general remuneration policy applicable at CABK AM LUX.

## 2. APPLICABLE STANDARDS

This remuneration policy was established in line with the following regulations and standards which apply to CABK AM LUX in the context of its activity of managing undertakings for collective investment (“UCITS”):

- [ESMA Guidelines 2016-575 on sound remuneration policies under the UCITS Directive](#) (“the ESMA guidelines”)
- [CSSF Circular 10/437 on guidelines concerning the remuneration policies in the financial sector](#)
- [Luxembourg Law of 17 December 2010](#) implementing Directive 2014/91/EU on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“the UCITS Directive”), in particular articles 111.a. and 111.b. thereof
- [CSSF Regulation 10-4 related to organizational requirements, conflict of interests, conduct of business and risk management](#)
- [CSSF Circular 18/698 related to authorisation and organisation of investment fund managers incorporated under Luxembourg law](#) in particular section 5.5.9. thereof

## 3. SCOPE OF APPLICATION OF THE GENERAL REMUNERATION POLICY

The general remuneration policy (the “**Policy**”) applies to all persons who are current members of the Board of Directors or professionals of CABK AM LUX and who as such have a gainful employment relationship with the ManCo.

The Policy shall be applicable to any type of consideration paid to directors or to the professionals of CABK AM LUX for carrying out their professional activities at the ManCo, including any form of remuneration or benefits paid by CABK AM LUX.

In those cases, in which CABK AM LUX has delegated investment management activities to other persons or entities, it will ensure that these persons or entities are subject to the regulatory requirements regarding remuneration with the same degree of effectiveness as those applied at CABK AM LUX.

#### **4. GENERAL PRINCIPLES OF THE REMUNERATION POLICY**

The general principles of CABK AM LUX 's remuneration policy are as follows:

- a. The overall remuneration policy focuses on fostering patterns of behaviour to ensure that value is generated in the long term and that results are sustained over time. Variable remuneration therefore not only takes into account the achievement of targets, but also the way in which they are achieved.
- b. Individual professional targets are defined on the basis of the commitment employees undertake and establish with their managers.
- c. In these conditions of overall remuneration, the remuneration policy focuses on a competitive position in terms of the sum of fixed remuneration and other benefits, basing its ability to attract and retain talent on both components of remuneration.
- d. The fixed components and other benefits constitute the bulk of the remuneration packages offered since, in general, variable remuneration tends to be conservative, as it could potentially generate risk and in order to ensure that the financial position is not harmed by the awarding and payment of variable remuneration.
- e. The promotions system is based on an assessment of skills, performance, commitment, and professional merits over time.
- f. The remuneration policy must be in line with rational and effective risk management and must not offer incentives to assume risks that are not compatible with the ManCo's risk profiles or the legislation applicable to the funds managed, and it must be consistent with the business strategy, targets, values and long-term interests of CABK AM LUX, the funds managed, its unitholders or shareholders, and public interest, and must include measures to prevent conflicts of interest.
- g. The remuneration policies and practices must be clearly and transparently drafted in writing, communicated to concerned parties and recorded in such a manner that they are accessible.

#### **5. GOVERNANCE**

##### **5.1 Duties of the Board of Directors**

CABK AM LUX's Board of Directors is entrusted with the duties of management, administration and representation of the ManCo. The scope of its powers is governed by law.

The Board is responsible for establishing, maintaining and overseeing the internal control policies and procedures, including, among others, the policy and procedures related to the remuneration system and the system for establishing incentives, and for assessing their effectiveness and, where applicable, adopting adequate measures to rectify any potential deficiencies.

In addition, in keeping with the governance recommendations set forth in the ESMA Guidelines, the Board of Directors is responsible for approving the remuneration policy referred to herein and is responsible for its application.

## 5.2 Control and Supervision Duties

In accordance with the ESMA Guidelines, internal control functions must play an active role in the design, supervision and review of the remuneration policies in other areas of business, providing support to the Board of Directors in determining the general remuneration strategy applicable at CABK AM LUX, considering the promotion of effective risk management.

In application of that mentioned above,

- (i) the risk management function must verify to what extent the variable remuneration structure affects the ManCo's risk profile;
- (ii) the regulatory compliance function must analyse to what extent the remuneration structure affects compliance by CABK AM LUX with applicable regulations and the ManCo's internal policies; and
- (iii) the internal audit function must independently review the design, implementation and effects of the ManCo's remuneration policies.

The ManCo has adopted internal measures making it possible to identify, in a timely manner, cases in which professionals might not be acting in line with the interests of the funds managed and of the investors, and, where applicable, will take the required corrective actions.

Consequently, the ManCo established adequate controls to ensure that its policies comply with its objectives and principles. These controls will be located in the ManCo's three lines of defence:

- a. At the first level, the ManCo will define the indicators in place to ensure that the established criteria are in line with the interests of the funds managed and the investors, and avoid conflicts of interest and risks in codes of conduct, according to criteria based on product type and roles of authorised persons. These criteria will be established and the indicators will be weighted in order to ensure that the principles of this Policy are abided by.
- b. At the second level, the risk management and regulatory compliance functions will supervise, respectively, (i) that the remuneration structure is compatible with the risk profile of the ManCo, the funds managed and their unitholders; and (ii) that the remuneration policy and criteria comply with the requirements established in applicable legislation regarding rules of conduct and conflicts of interest.
- c. At the third level of control, Internal Audit will review all levels on an annual basis and verify the effective implementation and correct application of the remuneration practices established in accordance with the Policy.

## 6. COMPONENTS OF REMUNERATION

### 6.1 General aspects

The remuneration policy for the professionals of CABK AM LUX is based on the application of principles that are consistent with the data provided by market references, obtained from various remuneration reports periodically commissioned from specialised external consultants, which allow us to position the remuneration model at an individual level and at a position level with the market.

Total remuneration includes:

- a. Fixed remuneration based on the level of responsibility and professional career of the person in question, whereby this constitutes a major portion of overall remuneration.
- b. Variable remuneration tied to the achievement of previously established targets and goals defined to avoid possible conflicts of interest and, if applicable, to include qualitative- evaluation principles intended to align investors' interests with codes of conduct in the securities market.
- c. Other compensation.

Fixed remuneration is competitive, while variable remuneration generally accounts for a relatively small percentage of fixed annual compensation. The proportion of fixed remuneration allows for a flexible variable remuneration policy to be applied, which includes the possibility, in those cases envisaged in the Policy, of not paying any variable remuneration in a particular year.

CABK AM LUX professionals are prohibited from using personal strategies to cover and ensure their remuneration or obligations related thereto, for the purpose of undermining the alignment with the implicit risk profile in this remuneration structure.

## **6.2 Fixed remuneration**

As a general rule, fixed remuneration is composed of a base salary and any other supplement established for each employment category.

Each professional's fixed remuneration is based on the level of responsibility and contribution expected in accordance with the ManCo's internal structure, the position held within this structure and the available market information, with the salary bands established to foster internal fairness.

## **6.3 Variable remuneration**

Variable remuneration for the ManCo's professionals focuses on fostering patterns of behaviour to ensure that value is generated in the long term and that results are sustained over time, and is based on the remuneration mix (a proportional balance between fixed and variable remuneration, as mentioned above) and on performance measurements.

Depending on the professional's duties and responsibilities or on whether they are assigned to a department, the professional participates in the corresponding variable remuneration or specific bonus plan. To effectively take part in such a plan, the professional must have a previously established bonus target on which their performance is measured.

Without prejudice to the special characteristics applicable to each of the groups or professional categories. In accordance with that set forth in the preceding paragraph, variable remuneration, in those cases where it is related to performance, is determined based on a combination of measuring individual performance, and the performance of the business unit or fund in question (to the extent applicable), taking into account quantitative (financial) and qualitative (non-financial) criteria established at the level of the ManCo or individually, where applicable.

The appropriate mix of quantitative and qualitative criteria also depends on the tasks and responsibilities of each staff member. Depending on the remuneration plan, these benchmark amounts may be defined at either individual or group level (i.e., the functional level). In all cases, the quantitative and qualitative criteria and the balance between them should be specified and clearly documented for each staff level and category.

However, if the professionals carrying out control functions receive variable remuneration, their targets should not include business goals at an individual level, or at the level of the funds managed, to ensure their independence with regard to this supervision. Variable remuneration must be based on specific objectives of the department in question and must not be determined according to the individual financial performance of the activities subject to control and supervision.

Likewise, variable remuneration will not be paid through vehicles or methods that may facilitate circumventing the rules contained in the Policy.

Variable remuneration will never be guaranteed, except in exceptional cases of new employees during their first year of employment.

### **6.3.1 Cases affecting the receipt of variable remuneration**

Variable remuneration plans will establish the appropriate mechanisms, in accordance with the Policy, to ensure that no variable remuneration is received or paid, in full or in part, in the following cases:

- a. In general, where payment of these amounts is not sustainable in accordance with the ManCo's overall situation or justified by the results of the ManCo, of the business unit, of the funds managed or of the professional in question.
- b. Lawful dismissal.
- c. Serious breach of regulations and/or CABK AM LUX Code of Conduct
- d. Breach of regulations attributable to a professional that could put the solvency of a business line at risk, regardless of whether or not losses were incurred.

### **6.3.2 Management of employee registrations in and drops from variable remuneration plans**

- a. New hires or promotions

Employees hired before 1 October of the current year are eligible for the variable remuneration plan applicable to their position. For such employees, the bonus targets or benchmark award amount will be prorated according to the length of time during which they participated in the program after being hired.

- b. Suspension and termination of the employment relationship

In the event that the employment contract of a professional participating in a variable remuneration plan is suspended or terminated, payment of the variable remuneration is subject to the criteria set forth in the bonus programmes. Participants whose employment relationship at the ManCo ends before the end of the year may lose all their rights under the plan.

However, if termination occurs the following year, before the scheduled bonus payment in the first quarter, the bonus will be paid according to the achievement of targets and the terms set forth herein.

#### **6.4 Payments for early termination**

As a general rule, payments for early termination must be based on the results secured over time, and must not compensate poor results or undue conduct.

Payment obligations for early termination of contracts assumed by CABK AM LUX are conditional on applicable legislation.

### **7. REVIEW AND EVALUATION OF THE APPLICATION OF THE REMUNERATION POLICY**

The ManCo shall review the guidelines and procedures set out in this document on a regular basis, in order to incorporate any modifications, adaptations or implementing regulations deemed necessary. Any updated version shall be submitted to the Board of Directors of the ManCo for approval.

On an annual basis, the Board of Directors of the ManCo shall review the Remuneration Report prepared by the Human Resources area to verify the effectiveness of the Policy and confirm the remuneration was performed in line with the Policy rules during the previous year.

Each year the Internal Audit function will carry out an internal, central and independent review of compliance with the Policy.

### **8. EFFECTIVENESS OF THE REMUNERATION POLICY**

The Policy shall be in force for an indefinite period, without prejudice to any modifications, adaptations, updates or substitutions the ManCo's governing body may resolve to make at any time.

### **9. INTERNAL COMMUNICATIONS**

The ManCo shall take the actions required for this Policy to be known, internally, by all professionals concerned.

In any event, all professionals shall be familiar with the criteria that will be used to determine their remuneration. Consequently, the process of evaluating variable remuneration shall be properly documented and shall be transparent to the professionals affected thereby.