

# REMUNERATION POLICY – LUXEMBOURG APPENDIX

March 2021



### DOCUMENT STATUS

Policy Last updated (if applicable)	N/A
Policy Effective Date	15/04/2021

### OWNERSHIP OF DOCUMENT

Policy Owner	Sebastian Roth, Conducting Officer in charge of Compliance
Policy Author	Sebastian Roth, Conducting Officer in charge of Compliance Claire Massa, Regulatory Compliance Officer

### APPROVAL AND REVIEW

INSERT		APPROVAL DATE	NEXT REVIEW DATE
✓			
✓	The Board of DGFM Luxembourg (the “Board”)	Q1 2021	Q1 2022

### LEGISLATIVE/REGULATORY REQUIREMENT(S)

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010
- Commission Delegated Regulation (EU) 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regards to exemptions, general operating conditions, depositaries, leverage, transparency and supervision
- European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 as amended
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
- 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
- European Securities and Markets Authority (“ESMA”) Guidelines on Sound Remuneration Policies under the UCITS Directive (ESMA/2016/575)
- ESMA Guidelines on Sound Remuneration Policies under the AIFMD (ESMA/2013/232)
- ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD (ESMA/2016/411)

### LEGAL ENTITIES APPLICABLE:

Davy Global Fund Management Luxembourg S.A. (“DGFM Luxembourg”) and its subsidiaries.

### DEPARTMENTS/ OPERATIONAL AREAS APPLICABLE:

All departments and operational areas at DGFM Luxembourg and its subsidiaries.

## 1.0 PURPOSE

Davy Global Fund Management Luxembourg S.A. (“DGFM Luxembourg” or the “Company”) is part of the Davy Group. This Appendix has been designed specifically for DGFM Luxembourg to meet Luxembourg regulatory and legal requirements. This document should be read in conjunction with the DGFM Remuneration Policy.

This Appendix has been designed in accordance with the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and the Commission Delegated Regulation (EU) 231/2013 of 19 December 2012 (together the “AIFM Regulations”), as well as with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 as amended (the “UCITS Regulations”), the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (the “MIFID II Regulations”) and 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 (the “SFDR Regulation”) (collectively called the “Regulations”). The Appendix has also been drafted in line with the European Securities and Markets Authority (“ESMA”) Guidelines on Sound Remuneration Policies under the UCITS Directive (ESMA/2016/575), the ESMA Guidelines on Sound Remuneration Policies under the AIFMD (ESMA/2013/232) and the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD (ESMA/2016/411) (together called the “ESMA Guidelines”) (the Regulations and ESMA Guidelines together called the “Remuneration Requirements”).

## 2.0 REMUNERATION

Remuneration includes all forms of payments or benefits provided directly or indirectly to employees in exchange for professional services rendered as detailed in section 6 of the DGFM Remuneration Policy.

Any remuneration which is not expressly mentioned in the DGFM Remuneration Policy but provided by DGFM Luxembourg will be subject to review by the CEO and DGFM Luxembourg’s Conducting Officer responsible for Human Resources.

## 3.0 IDENTIFIED STAFF

The DGFM Remuneration Policy covers all staff whose professional activities have a material impact on the risk profile of the Company or of the Funds (“Identified Staff”). The DGFM Remuneration Policy describes in its section 8 the categories of staff impacted.

In relation to Luxembourg, the functions defined as Identified Staff by DGFM Luxembourg notably include but are not limited to the following:

- Chief Executive Officer;
- The Directors of the Company;
- The Conducting Officers;
- Head of Compliance;
- Head of Legal;
- Head of Risk.

## 4.0 PRINCIPLE OF PROPORTIONALITY

The Company has drafted this Appendix in line with the principle of proportionality which takes into account the size, the internal organization and the nature, scope and complexity of the activities of the management company or the AIF/UCITS it manages. DGFM Luxembourg has taken a proportionate approach in relation to remuneration requirements.

The same criteria of size, internal organization, nature, scope and complexity of the activities have been used to determine the categories of staff as indicated in section 3.0 of this document.

## 5.0 REMUNERATION COMMITTEE

DGFM Luxembourg is mindful of the requirement to establish, based on a principle of proportionality, a remuneration committee to independently oversee the implementation of the DGFM Remuneration Policy

and Appendix.

The principle of proportionality, established in the ESMA Guidelines and mentioned in the previous section, has been assessed in the decision to not set up a remuneration committee at the level of DGFM Luxembourg. The Company believes that it does not meet the criteria for the size due to its limited number of employees and asset under management of the AIF/UCITS managed by DGFM Luxembourg.

To gain additional comfort excluding a local remuneration committee, DGFM Luxembourg relies on the Davy Group which has established a Remuneration Committee responsible for the completion of the review of the principles listed in the DGFM Remuneration Policy and Appendix.

## 6.0 DISCLOSURE

DGFM Luxembourg discloses the DGFM Remuneration Policy and Appendix on its website and will upload any new version made available at least on an annual basis. The Company ensures that the disclosure is clear and easily understandable and accessible.

The DGFM Remuneration Policy and Appendix are also made available on the Intranet of the Company for all staff members of DGFM Luxembourg, including those whose professional activities have a material impact on the risk profile of the AIF/UCITS managed.

## 7.0 SFDR REQUIREMENTS

In compliance with UCITS and AIFMD remuneration rules (the "Remuneration Rules"), Davy Global Fund Management Limited has established a remuneration policy that seeks to promote sound and effective risk management and neither encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds nor impair compliance with the Company's duty to act in the best interest of the Funds (the DGFM Remuneration Policy). This Policy is applied by the Company and supplemented by this document.

As provided for under the DGFM Remuneration Policy and in line with the Remuneration Rules, contractual arrangements with the Investment Manager are in place which seek to ensure compliance by the Investment Manager with the Remuneration Rules particularly in the context of payments made to identified staff of the Investment Manager as compensation for the performance of investment management activities.

The guiding principle of the Remuneration Rules is to align remuneration with risk and with the interests of investors. Specifically, the Remuneration Rules include requirements (applicable on a proportionality basis) that:

- remuneration is consistent with and promotes sound and effective risk management and does not encourage risk-taking inconsistent with the risk profile of the fund;
- 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;
- a substantial portion of the variable remuneration component, is deferred over a period of a minimum of 3 to 5 years (for AIFM) or 3 years (for UCITS managers), appropriate to the holding period recommended to the investors of the fund concerned and is correctly aligned with the nature of the risks of the fund.

Where applicable and required, the Company ensures that the relevance of sustainability risk to the Funds is considered along with all other potentially relevant financial risks as part of its investment due diligence and in the implementation of the Framework. The DGFM Remuneration Policy is considered consistent with the Company's approach to sustainability risk integration, including as a result of the following:

- the DGFM Remuneration Policy specifically provides for remuneration to be consistent with and promote sound and effective risk management [including sustainability risk management] and the discouragement of excessive risk-taking, including in respect of sustainability risk;
- sustainability risk is identified as a potentially relevant risk to the Funds where applicable and as such is assessed for whether it falls within the category of 'relevant types of current and future risks' as part of the calculation of performance-related variable remuneration;
- the Investment Manager's obligation under contractual arrangements with the Company to comply with the Remuneration Rules on variable remuneration already provides for the mitigation of those sustainability risks associated with short-termism e.g. many climate-related risks are more long-term in nature and the deferral of variable remuneration based on the longer-term performance of the fund and its investment risks supports the incorporation of such longer-term risks in the calculation of this remuneration

component as and where appropriate;

- where applicable, the remuneration of investment management activities in respect of those of the Funds which promote environmental or social characteristics or have sustainable investment as an objective, is, in accordance with the Remuneration Rules, linked to the performance or value of those Funds including their achievement of the applicable sustainable metrics provided for in the investment strategy of those Funds. This allows for the establishment of a link between ESG metrics and remuneration which is identified as best practice by the UN supported PRI and other leading authorities on sound ESG integration into remuneration structures; and
- the integration of sustainability risk as and where applicable may give rise to conflicts arising from remuneration, for example where the longer-term sustainability risk of an investment conflicts with the short-term value-based incentive of such investment. Such potential conflicts of interest are managed in line with the relevant Remuneration Rules, as applied under the DGFM Remuneration Policy, which provide for a proper balance of variable and fixed remuneration and the payment of risk-adjusted variable remuneration as potential means of managing excessive risk taking through remuneration.

## **8.0 REVIEW AND IMPLEMENTATION OF THE POLICY**

The board of directors of DGFM Luxembourg (the “Board”) has adopted the DGFM Remuneration Policy and this as an Appendix. The Appendix is reviewed at least on an annual basis and more often in case of changes to the Remuneration Requirements. Amendments of the Appendix will only need to be approved by the Board in case of material changes or if determined by the Policy Owner.