



Guidelines for the Remuneration Policy of MainFirst Affiliated Fund Managers S.A.

August 2016/ vers 4.0

1. Preliminary Remarks

The following guidelines of MainFirst Affiliated Fund Managers S.A. (hereinafter, "MFAFM"), including its possibly present branches in Germany, are based on the stipulation of the regulation on prudential requirements for remuneration systems of institutions (CSSF Circular 10/437 of 01/02/2010), which is also mentioned in Circular 12/546 and Guideline 2011/61/EU or the Law of 12 July, 2013, on Managers of Alternative Investment Funds and other current statutory or regulatory provisions.

The following principles and guidelines apply to all types of remuneration that can be paid or provided by the Company.

2. General Information on the Remuneration Systems of MFAFM

2.1 Remuneration Philosophies

The design of the remuneration systems of MFAFM is based on a uniformly implemented remuneration philosophy. The remuneration philosophy of MFAFM observes the internal guidelines and regulations of the MainFirst Group. A component of this remuneration philosophy is to support through remuneration decisions the achievement of the strategic business objectives of MFAFM, to provide incentives only in terms of a responsible and risk-conscious business conduct of employees¹ and to promote the creation of value for shareholders (UCI and UCITS).

The remuneration system was developed with the concept of creating a sound and effective risk management and does not encourage risk-taking, which is inconsistent with the risk profiles, contractual conditions or articles of association of the funds managed by MFAFM (UCI and UCITS). The current remuneration system always observes the adherence to and implementation of relevant laws, regulations and circulars and takes into account the principle of avoiding conflicts of interest.

Therefore, a results-oriented corporate culture and results-oriented remuneration policy is created that rewards personal performance and the individual strengths of employees and so motivates the employees to fully utilise their personal potential in the interests of MFAFM. In this way, the interests of the executives and employees of MFAFM and the interests of shareholders are reconciled. To avoid conflicts of interest and to avoid false incentives, an assessment of individual performance should be based on a long-term perspective.

In order to implement the remuneration philosophy, MFAFM defines the following basic principles for design of the remuneration systems, in compliance with internal MF Group standards.



The remuneration systems at MFAFM should

- consider the profitability and the risk and capital costs of MFAFM,
- sustainably secure the future economic performance and profitability of the MFAFM,
- offer the employees of MFAFM an attractive and competitive incentive system,
- promote long-term thinking and responsible actions on the part of employees,
- avoid incentives for employees to enter into excessive risk positions,
- ensure that MFAFM can continue to recruit and retain highly qualified and talented employees,
- differentiate areas and responsibilities adequately when assessing remuneration and
- be designed so as to be comprehensible and transparent and avoid unnecessary complexity.

2.2 General Remuneration Structures

The total remuneration can comprise basically fixed and variable remuneration components and fringe benefits. The fixed remuneration component consists of the monthly salary (including bonuses) of the employee. The monthly salary is calculated according to the individual conditions governed by the employment contract. The fixed remuneration components are hereinafter collectively referred to as “fixed remuneration”.

Variable remuneration components are the annual bonus and other special payments (e.g. project premium). The variable remuneration components are hereinafter collectively referred to as “variable remuneration”. Depending on the position or to comply with regulatory requirements, payment of any variable remuneration can be wholly or partially delayed.

All other benefits such as health management, catering/canteen subsidies, training and the occupational pension are considered as fringe benefits. In addition, employees in certain functions or activities (for example, sales reps, executives) can be provided with company cars.

MFAFM shall set appropriate upper limits for the ratio between fixed and variable remuneration. The different functional areas should be weighted after being differentiated and upper limits for both the portion of the bonus to total remuneration as well as the ratio between the total amount of variable remuneration and the target/orientation bonus should be considered.

The payment of a variable remuneration, both in terms of amount and payment method, is at the Company’s discretion.

2.3 General Remuneration Principles

The remuneration systems of MFAFM are reconciled with the following general remuneration principles:

Fixed and variable remuneration are in appropriate proportion to each other. The fixed remuneration is designed so that the employee does not depend on the variable remuneration to cover reasonable living expenses. Guaranteed payments of variable remuneration (e.g. a guaranteed annual bonus) are not generally permitted and allowed at best in the context of inclusion of an employment relationship and for a maximum of one year.

Severance payments (payments in connection with the termination of a contract) are paid exclusively in connection with the departure of the employee concluding the individual legal agreement. If this individual legal agreement is not present, any payment is based on the results obtained in the course of employment and considers the principle of the Company, that “Failure is not rewarded”.



In particular, employees may not be promised guaranteed payments in the event of later retirement (golden parachutes).

The remuneration systems must be designed so that Group regulations on remuneration principles are always observed.

In particular, the Company should, to the extent permitted by law and/or necessary, adjust the potential for reservations and variable remuneration amounts at its discretion, taking into account the risk positions existing in individual cases and the legal requirements or perform the payout in a multi-year process, taking into account the UCI and UCITS managed by MFAFM.

Incentives for employees to enter into excessive or unreasonable risk positions are to be avoided. The amount of variable remuneration of employees of the control units and employees of the organisational units controlled by these may not be determined decisively by the paralleled remuneration parameters.

The general principles of the remuneration policy and the resulting remuneration systems are regularly reviewed for their appropriateness by the executive management, but at least once a year, and adjusted where necessary. The executive management is responsible for the permanent implementation and compliance of the remuneration policy and the resulting remuneration systems.

A remuneration committee can be established for the purpose of verifying the remuneration of employees of risk class 1 and 2 in the areas of risk management and compliance. Currently, no remuneration committee has been established.

2.4 Designing Variable Remuneration Elements and Significant Remuneration Parameters

Performance is a key element of the corporate culture of MFAFM. Therefore, success and performance-related variable remuneration components should constitute a substantial component of the remuneration systems of all the companies of MFAFM. The variable remuneration is designed to be market-oriented and is compared with the competitors at regular intervals.

In determining the variable remuneration for the financial year (in particular, the annual bonus) both the risk-adjusted results of MFAFM and individual business areas as well as the individual performance of the employee are in principle taken into consideration. The definition of the criteria for measuring the Group and business area results of MFAFM is coordinated and controlled by the executive management and Board of MFAFM. The relevant parameters for the individual business areas are developed specifically by subject, taking into account the respective strategies, objectives, risks and necessary activities.

Both the definition of the criteria for measuring the group and business results as well as the relevant parameters for the individual business areas, in particular the risks of the specific area to be taken into account, can be customised. The criteria and parameters may be restricted or extended in order to take into account, in particular, all relevant types of current and future risks appropriately when assessing success.



Individual goals and target or orientation bonuses are agreed or determined by the cooperation of management and employees as part of the internal regulations in the respective business area.

The decision on the full or partial grant and payment of a variable remuneration, including any provisions that were created, requires that such a payment is able to be borne, taking into account the economic situation of the Company. The management and the Board have to give sufficient consideration to this when making their decision.

Variable remuneration (partially or fully) is not paid in the form of instruments or vehicles, which can enable, promote or facilitate a partial or full bypass of the remuneration principles described.

3, Specific Form of the Remuneration Systems

3.1 Identification of Risk-Related Employees

The management of MFAFM has determined those employees whose activities have a material impact on the overall risk profile of MFAFM (relevant decision-making authority, access to systems, control activities, etc. These are referred to hereinafter as “risk-related employees”).

The company will instruct and oblige the employees not to perform personal hedging strategies or other measures which are likely to undermine or counteract the remuneration rules standardised here.

3.2 Distinction Based on Employee Groups

When it comes to designing the remuneration systems, MFAFM distinguishes between the following employee groups:

Risk Group 1 (relevant decision-making authority and access to the relevant systems (“detection” and “view”)): Executive management, portfolio management

Risk Group 2 (relevant decision-making authority and access to the relevant systems (“view”)):

The variable remuneration may be paid on a pro rata basis over a specified period, provided that this is necessary to comply with statutory, regulatory or internal remuneration principles.

3.3 Type of Remuneration for the Employee Groups

The bonus is paid in the form of an additional payment (gross), unless another written agreement in compliance with all statutory, regulatory, or internal policies has been made with the risk-related employee.

4. Control and Approval of Remuneration

As part of the implementation of regulatory and statutory requirements, the management of MFAFM advises the Board of MFAFM, particularly with regard to the adequacy of the remuneration systems and their design and development.



5. Change History

Document History

Version	Entered into force on:	Comments:
1.0	September 2013	II
2.0	May 2014	Annual update/regulatory updates
3.0	August 2015	Annual update/MFAFM name change
4.0	August 2016	Annual update

reviewed/approved and to be published

Munsbach, July 2016

Anja Richter
Managing Director

Björn Kogler
Managing Director