

REMUNERATION POLICY

History

Version	Release Date	Description	Amended by	Reviewed by	Approved by the Board on
V1	20.12.2024	Reviewed version	Authorized Manager	Board of Directors	6 February 2025

The Remuneration Policy is designed with a view to complying with the requirements set out in:

- CSSF Circular Circular CSSF 07/307 MiFID, conduct of business rules in the financial sector
- the CSSF Circular 10/497 transposing Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending directives 2006/48/EC and 2006/49/EC as regards to capital requirements for the trading books and for re-securitizations, and prudential supervision of compensation policies
- CSSF Circular 11/505: Details relating to the application of the principle of proportionality when establishing and applying remuneration policies that are consistent with sound and effective risk management as laid down in Circular CSSF 10/497
- CSSF Circular 14/585 of 25 February 2014 (Transposition of the European Securities Markets Authority's (ESMA) guidelines on remuneration policies and practices (MiFID) - Addition of Annex V to Circular CSSF 07/307)
- CSSF Circular 17/658 of 16 June 2017 (Transposition of the European Securities Markets Authority's (ESMA) guidelines on remuneration policies (EBA/GL/2015/22) - Addition of information on Art 450 of Reg EU 575/2013

This policy also follows

- CEBS Guidelines of 20 April 2009 on high-level principles for remuneration policies
- CEBS Guidelines of 10 December 2010 on Remuneration policies and Practices
- Regulation of European Commission 2019/2088

Given that VALAM could be investment manager of UCITS, the Company also follows UCITS V remuneration requirements and especially requirements of:

- 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 the laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (hereinafter the "UCITS V Directive") transposed into the law of 10 May 2016 entered into force on 1 June 2016 and modifying the law of 17 December 2010 (hereinafter the "UCITS Law");
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council regarding regulatory technical standards with respect to qualitative and

appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile

- ESMA Guidelines 2016/575 on Sound Remuneration Policies under the UCITS Directive (hereinafter the “ESMA Guidelines 2016/575”).

Relevant departments such as authorized management and compliance were part of the consultation process and production of the present policy.

This Remuneration Policy is in line with the strategy and goals of VALAM. It aims to comply with the principles regulating clients' and investors' protection during the service delivery.

The Remuneration Policy answers as well to external constraints (regulatory environment, external competition...) as to internal constraints (internal equity, economic necessity, staff motivation, talent management, high potentials loyalty....).

- Scope

The objective of this Policy is to lay down the principles governing how the remuneration of VALAM's employees and identified staff shall be established, applied and monitored.

This Policy considers the principle of proportionality which allows procedures, mechanisms and organizational structure to be calibrated to the nature, scale, size and complexity of VALAM's business and to the nature and range of activities carried out in the course of its business.

The overall philosophy of this Policy is to promote sound and effective risk management, as well as a long-term perspective, and to discourage excessive risk-taking by VALAM's employees. Consideration has been given to the business strategy, objectives, values and interests of VALAM as well as the maintenance of a sound capital base.

The staff members are informed of this policy when they are hired into the Company and whenever any amendments are made.

- Application framework

This procedure applies to any employee and identifies staff on a fixed or indefinite period and whose professional activities have a material impact on the risk profile of the portfolios/funds under management and at the Company level.

VALAM adopts the definition of identified staff in accordance with ESMA Guidelines and the EU Directive on sound remuneration policies. The following categories of staff are included as Identified Staff:

- Executive and non-executive members of the governing body of the Company such as directors,
- Authorized management.

In view of the straightforward structure of the Company, VALAM considers as Identified Staff only the members of the Board and the authorized managers.

The compliance support function and the investment managers are not categorized as Identified Staff given that they have no material impact on the risk profile of the Company (no decision power and wages below those of the authorized management).

– Responsibilities of the Board of Directors

The Board of Directors is responsible for defining the general principles governing the remuneration policy.

The Compliance officer shall ensure the implementation of the remuneration policy and review at least once a year the adequacy of the policy and its compliance with applicable regulations.

The remuneration policy is approved by the Board of Directors and appropriately aligns the risks faced by the Company and Portfolios/Funds under management.

VALAM's remuneration policy shall be based on the following general principles:

- *Transparency*: The remuneration policy shall be defined in the present document and shared with key stakeholders including shareholders, clients and employees.
- *Fairness*: The individual benefits will be based on the effective contribution to the results of the Company as determined by the Board of Directors.
- *Long-term Alignment of Interests*: The aim of the policy is to create a win-win environment where the long-term financial interest of clients, employees and shareholders are aligned.
- *Company Financial Stability*: The incentive remuneration shall under no circumstances expose VALAM to undue increased financial or operational risks.

VALAM remuneration policy is consistent with, promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of Portfolios/Funds under management as well as management regulations or instruments of incorporation of the Funds via:

- Establishing a sound governance structure for setting goals and communicating these goals to employees; and
- Including both financial and non-financial goals in performance and result assessments.

The remuneration policy ensures that:

- VALAM is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- Employees are offered a competitive remuneration package;

- Employees feel encouraged to create sustainable results and that a link exists among shareholder, employee and client interests;
- The remuneration of staff in Portfolios/Funds management is based on the long-term performance of the respective Portfolios/Funds under management and does not encourage risk-taking which is inconsistent with the risk profile of these Portfolios/Funds; and
- The remuneration of risk and compliance management does not compromise the independence of these functions and is not solely determined by Company-wide performance criteria.

The Board will monitor compliance with the remuneration policy on an annual basis and decide on any necessary changes. This will include alignment with the business strategy, objectives, values and interest of VALAM and the Portfolios/ Funds it manages as well as measures to avoid conflicts of interest. Furthermore, the Board shall define clear and measurable objectives that will be the basis of the annual assessment.

The Board may deviate from this policy in individual cases, if justified by extraordinary and documented circumstances, being understood that when such a deviation concerns a Board member, it should be approved by the shareholders of the Company.

- Annual review

The annual review by the Board will be conducted with the close involvement of control functions, i.e. risk management and compliance. The risk management function should assess how the variable remuneration structure affects the risk profile of VALAM. The compliance function should analyze how the remuneration structure affects VALAM's compliance with legislation, regulations and internal policies. The internal audit function should periodically carry out an independent audit of the design, implementation and effects of the Company's remuneration policies.

The annual review will ensure that:

- The remuneration system operates as intended; and
- Is compliant with national and international regulations, principles and standards.

The Board shall ensure that the results of the review are followed up. Any amendments to the remuneration policy will be subject to Board approval.

- Remuneration Components

The remuneration components are:

- Fixed remuneration;
- Variable remuneration;
- Other benefits (if applicable);
- Severance payment;

- Any amount paid by the Company;
- Any transfer of units or shares or the Company (if applicable).

The fixed and variable components of total remuneration have to be appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

In accordance with market practice, for VALAM employees that qualify as Identified Staff, the variable remuneration is subject to a maximum cap fixed at one time the fixed remuneration (100% of the annual fixed salary).

Employees agree to refrain from using personal hedging strategies or compensation or liability insurance to offset the impact of alignment with the risk embedded in their compensation arrangements.

Fixed remuneration

VALAM shall remunerate its employees with a salary and it shall represent a sufficiently high proportion of total remuneration. Fixed Remuneration is set on an individual basis with consideration to market standards in respect of the relevant position and based with non-financial criteria such as :

- Description and complexity of the position;
- Responsibilities and risk related to the position;
- Level and hierarchy of the position;
- Market practice for the particular position;
- Data available for comparison;
- Experience of the person; and
- Education level and specific technical knowledge.

The fixed remuneration is only composed of the wages paid monthly. Employees are entitled lunch vouchers, but not to other fringe benefits such as pension scheme or leasing car, unless differently agreed when hiring.

Considering the size of the Company, the Board of Directors shall fix the remuneration of the members of the administrative body as well as of all the staff at individual level.

Variable remuneration

Taking into consideration that granting bonuses is a discretionary decision by Remuneration Committee, bonus payments will consider;

- the assessment of the individual valuation linked to Performance Appraisal for each member of the Staff at the end of each year supervised by the Board of Directors;
- Accomplishment of the task and responsibilities of the function;
- Performance of the Company and of the business unit;

- Effect of the variable compensation on the economic soundness of the firm; and
- Consideration of existent and potential future risks generated or directly linked with the variable compensation.

Variable Remuneration motivates and rewards performers, who strengthen long-term relationships and generate income and shareholder value. Performance-based remuneration is awarded in a manner which promotes best practices, ensures risk management policies are implemented and does not induce excessive risk-taking.

Assessment of the results of VALAM shall be conducted using a multi-year perspective to ensure that the assessment process is based on longer term performance.

The variable remuneration based on performance is measured in terms of goals assigned to each employee for the current year and is determined by reference to the following performance criteria:

- quality of the work performed;
- working method used;
- meeting the deadlines;
- compliance with laws, regulations, procedures and ability to enforce them by the team members;
- quality of the contacts maintained with external counterparties;
- ability to communicate information and to work as part of a team;
- ability to take initiative;
- ability to consider the risks of activities according to assigned responsibilities.

Variable remuneration may be adjusted if the management of the portfolios is not in line with expectations, in case of non-compliance with legal and regulatory obligations or in case of non-compliance with the investment philosophy of the Company.

The contribution to financials results is based on the results of the Company. The payment is submitted to the discretionary decision of the directors.

Employees of VALAM shall have one annual performance and appraisal interview.

Each employee shall be informed at the end of the year or in the first three months of the following year of the individual criteria that govern his/her remuneration and how his/her performance is assessed. A member of the board will share with the authorized managers and branch manager the performance appraisal. They both sign the report confirming the valuation.

The authorized management will sign each Performance Appraisal Report for all members of staff as soon as the bonus is paid, if any, and confirm with his/her signature that it is in line with the determination of the variable remuneration.

Each single Performance Appraisal Report will be archived in the individual dedicated folder.

In assessing the performance, the Board will ensure that potential conflicts of interest of VALAM and the Portfolios/Funds it manages, or the investors of these Funds are properly considered, integrated and documented and measures to avoid conflicts of interest are established.

When the variable component aims to evaluate a period superior than one year, the multi-year period or the total period evaluated should be compared and taken into consideration for the calculation of the variable compensation.

The variable remuneration is granted to all employees subject to at least three months service at the date of granting of the bonuses.

– No guaranteed Variable Remuneration

By principle, VALAM shall not offer guaranteed Variable Remuneration. Deviations from this principle may only be made if such Variable Remuneration is paid to an employee in connection with a new employment (i.e. signing a bonus to cover Variable Remuneration generated at a previous employer which is not paid out by such employer).

The decision to grant guaranteed Variable Remuneration in connection with a new employment shall be decided by VALAM's Board of Directors and is limited to the first year.

Variable Remuneration could be guaranteed by contract to specific positions inside the Company.

– Vesting and payment of the variable remuneration

Application of the proportionality principle

The ESMA Guidelines and Art. 111 of the UCITS Law provide that companies must comply with the remuneration principles “in a way and to the extent that is appropriate to their size, internal organization and the nature, scope and complexity of their activities”.

VALAM is therefore authorized to disapply with certain requirements of the remuneration principles regarding the pay-out process on the basis of the proportionality principle:

- Variable remuneration in instruments: meaning that a minimum portion of 50% of variable remuneration should be paid in instruments;
- Retention: meaning the period during which variable remuneration that has been already vested and paid out in the form of instruments cannot be sold;

- Deferral: meaning the period during which variable remuneration is withheld (at least 40% to 60% of variable remuneration to be withheld for a minimum of three to five years); and
- Ex-post incorporation of risk for variable remuneration: meaning that the variable remuneration may be reduced through clawback or malus arrangements.

Three factors (size, internal organization and nature, scope and complexity of the activities) should be analyzed jointly for each of the requirements that may be disappplied.

1. The “size” criterion can be decomposed in the following sub-criteria:

- the value of the capital and the value of the assets under management (including any assets acquired through the use of leverage) of the funds that VALAM manages.

The share capital of the Company is set at 1.600.000 EUR. The value of the assets under management does not exceed the threshold of 1.25 billion of assets under management established by the ESMA for the disapplication of the remuneration committee.

- liabilities or risks exposure of VALAM and of the funds that it manages

The risks exposure of VALAM and of the funds managed are within a low-average threshold, and the use of derivative instruments (“FDIs”) is limited to plain vanilla instruments and with a significant use of hedging and netting strategies rather than use of FDIs for speculative and investment purposes. VALAM does not perform any activity in real estate, private equity & venture capital, real assets or commodity assets strategy or in any other sector usually considered as high risk investment sectors. In this context, the Board considers the exposure to risks of VALAM and the managed funds at a low-average level.

- number of staff, branches or subsidiaries of VALAM

VALAM has its registered office in Luxembourg and has established one branch in Milano for commercial and marketing purpose and also to perform the activity of advisory on investments.. VALAM employs a total of 11 employees, including those of the branch.

2. Internal Organization

- Legal structure of the VALAM

VALAM has been incorporated under the form of a public company limited by shares (société anonyme). The Company is owned by two individual shareholders. VALAM does not manage the investments any “fonds commun de placement” (FCP) or other entities of a contractual nature.

- Complexity of the internal governance structure of VALAM

The governance structure of VALAM is straightforward while ensuring a clear definition of the responsibilities and roles of the internal staff. The Company is managed by a board of directors composed of a balanced manner of four members. Two Authorized Managers supervise the daily activity of the Company. This two-man management allows mutual control and common decision-taking. The activities are performed by the Portfolio management Team responsible for the collective portfolio management, discretionary management mandates and investment advisory.

- the listing on regulated markets of VALAM or the UCITS

VALAM is not listed on a regulated market not it is intention of the Company to be listed at any regulated market or stock exchange.

3. Nature, scope and complexity of the activities

- the type of authorized activity

VALAM holds a License as well investment firm and provides portfolio management on a discretionary basis, collective portfolio management, investment advice, investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

- the risk profile and risk appetite of the Company.

As more extensively indicated above, the risk profile and appetite of VALAM is to be considered at a low-average level, with low use of leverage.

- the national or cross-border nature of the business activities

VALAM manages clients of the discretionary mandates which are mainly located in Italy.

Composition of the variable remuneration

By application of the proportionality principle, the BoD decides not to apply the principle that minimum 50% of the variable remuneration shall consist of units or shares of the fund under management concerned, or equivalent ownership interest.

Therefore, the total variable remuneration will be paid in cash.

Deferral of payment

By application of the proportionality principle, the BoD decides not to apply the principle that at least 40% to 60% of the variable remuneration component needs to be deferred over a period of at least 3 to 5 years.

The Bonuses payments will be granted within the first four months of the following year.

Retention

By application of the proportionality principle, the BoD decides not to apply the principle of a retention period meaning the period during which variable remuneration that has been already paid out in the form of instruments cannot be sold.

Payment only if sustainable according to the financial situation

By application of the proportionality principle, the BoD decides not to implement the principle that the variable remuneration is paid only if it is sustainable according to the financial situation of the Company as a whole, and justified according to the performance of the business unit, the funds and the individual concerned.

Nonetheless VALAM will request full or partial repayment of the bonus in case of

- Established fraud or misleading information;
- Misbehavior or serious error, such as breach of VALAM's policies.

- Remuneration of control functions

The shareholders will have the prerogative to assess and fix the remuneration of the authorized management and of the person heading the control functions.

The remuneration of the senior management and of the internal control functions will be based on function-specific objectives and will not be determined by the Company's performance criteria. These objectives may include:

Senior management and internal control functions - all:

- implementation of pre-agreed strategic objectives;
- regular and active participation at Company meetings;
- reporting to, and interaction with, the Company's top management;
- promotion of best practices and
- managing and guiding junior members of the team.

Finance specific objectives:

- timely and accurate annual financial reporting;
- improving profitability;
- efficient processes and monitoring of outsourced services.

Risk specific objectives:

- Ensure implementation of the risk management policy
- Executing risk management processes thoroughly and completely

Compliance specific objectives:

- ensure compliance in line with internal and external laws and regulations;
- remaining updated on relevant legislation and its impact on the Company;

– Remuneration of the Board of Directors

The remuneration of the members of the Board will be fixed by the shareholders.

Members of the Board who are independent managers receive a fixed fee, the remuneration will not be directly linked to the returns of the Company. These Board members do not receive performance-based remuneration. The basic fee of a Board member is set at a level that is on par with the rest of the market and reflects the qualifications and contribution required in view of the complexity of the Company's activities, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees. Travel and out of pockets expenses shall be reimbursed.

– Severance pay

Remuneration paid out in connection with the termination of employment shall be discretionary under the Board of Directors' decision since VALAM must not reward unsound risk-taking. However, the severance pay, even if discretionary, will be fixed at max 3 months' salary in case of Board of Directors' termination decisions.

The criteria applied for the determination of the remuneration will follow those applicable for the determination of the variable remuneration based on performance.

– Remuneration Committee

A Remuneration Committee is composed by: Head of Compliance, the Authorized Manager in charge of HR activities and at least one director. They meet annually during the month of March or when requested, to assess the fixed remuneration (gross) of the staff and its review. The Remuneration Committee discusses the discretionary decision to distribute bonuses if conditions allows it. Any approval of remuneration requires the signatures of all three members.

Only in exceptional circumstances or due to unforeseen events, the Remuneration Committee may schedule this meeting on a date to be determined.

ESMA Guidelines states that when assessing whether a company is significant, it should consider the cumulative presence of all the three factors (i.e. its size or the size of the funds it manages, its internal organization and the nature, scope and complexity of its activities). A company which is significant with respect to one or two of the three above factors should not be required to set up a remuneration committee.

In addition, ESMA adds that the set-up of a remuneration committee is not mandatory for companies for which the value of the collective portfolios that they manage does not exceed EUR 1.25 billion and does not have more than 50 employees including those

dedicated portfolio management on a discretionary basis and non-core services such as investment advice, these two criteria being cumulative.

- Disclosure

Internal disclosure

This remuneration policy will be accessible to all staff members, which will know in advance the criteria that will be used to determine their remuneration. Confidential quantitative aspects of the remuneration of staff members will remain confidential and will thus not be internally disclosed.

The information provided to staff members will contain the following elements:

- information on linkage between pay and performance;
- information on the criteria used for performance measurement;
- information on the performance criteria on which the entitlement to variable components of remuneration is based.

External disclosure

The information provided externally – available on request - will contain the following elements:

- information on the decision-making process;
- information on linkage between pay and performance;
- information on the criteria used for performance measurement and the risk adjustment;
- information on the performance criteria on which the entitlement to variable components of remuneration is based.

The Company shall ensure common, uniform and consistent application of remuneration principles set out in this policy and will provide periodic disclosure on remuneration in the annual report of the UCITS in accordance with the requirements of the UCITS V requirements.

The Company will ensure that the disclosure is clear and easily understandable and published on at least an annual basis and as soon as practicable after the information becomes available. Remuneration disclosure will at least contain the following:

- the total amount of remuneration for the financial year, split into fixed and variable components, paid to the staff of the Company, the number of beneficiaries;

- the total remuneration of those staff of the Company who, in part or in full, are involved in the activities of the relevant UCITS and the number of beneficiaries, and the portion of the total remuneration of the staff of the Company attributable to the relevant UCITS;
- where this information is disclosed at the level of the Company, an allocation or breakdown should be provided in relation to each AIF, insofar this information exists or is readily available.