

DESCRIPTION OF THE VARIABLE REMUNERATION POLICY DE PALATINE ASSET MANAGEMENT 2021

GENERAL PRINCIPLES APPLICABLE TO COMPENSATION

Since its inception, Palatine Asset Management's variable compensation policy has taken into account 'The common provisions on compensation policies within management companies' at AFG- AFIC ASPIM, approved as professional rules by the AMF on 23 November 2010. It is in line with the obligations set out in AIFM Directives 2011/61 and UCITS V 2014/91, which place particular emphasis on the remuneration policies of portfolio management companies, with a view to ensuring sound risk management and enabling control of the behaviour of staff members with regard to risk taking.

The principles of the variable remuneration of Palatine Asset Management are approved annually by the Remuneration Committee and reviewed by the RCCI of Palatine Asset Management.

Thus, the general principles applicable to remuneration under the AIFM and UCITS Directive 5 are respected:

- The remuneration policy is consistent and promotes sound and effective risk management and does not encourage excessive risk taking that would be inconsistent with the risk profiles of the funds.
- Alignment of interest: The remuneration policy is in line with the economic strategy, objectives, values and interests of the managers and UCIs (UCITS and AIFs) they manage or those of the investors of UCITS and AIFs, and includes measures to avoid conflicts of interest.
- The various bodies (AC, Remuneration Committee) in performing their governance or supervisory function adopt and regularly review the general principles of the remuneration policy.
- The management company also reassesses its remuneration policy at least annually.
- No guaranteed bonus: The guaranteed variable remuneration is exceptional, it applies only in connection with the hiring of a new staff member and is limited to the first year.
- Employees who leave the Palatine Group lose their future rights. This measure normally applies to all premiums not yet calculated at the time of the departure announcement.
- No golden parachute: Payments related to early termination of a contract correspond to performance achieved over time and are designed so as not to reward failure.
- An appropriate balance is established between the fixed and variable components of the overall remuneration. The fixed component represents a sufficiently high proportion of the overall remuneration. Thus, a fully flexible policy can be exercised with regard to variable components of remuneration, including the possibility of not paying any variable components.
- The implementation of the remuneration policy is subject, at least once a year, to a central and independent internal assessment which aims to verify that it complies with the remuneration policies and procedures adopted by the management body in the performance of its supervisory function.

- The variable remuneration, including the deferred portion, is only paid or earned if its amount is compatible with the financial position of the AIFM as a whole and is justified by the performance of the business unit.
- The payment of a substantial portion, at least equal to 50% of the variable component of the remuneration, is not deferred taking into account the life cycle and the redemption policy of UCITS and AIFs. This measure, in agreement with the AMF, has not been implemented due to the annual ceiling of €100000 for most employees.
- Differential treatment, in terms of cap and deferred, for the variable compensation of the corporate officer, which could exceed 100% of the fixed and €100000.

Remuneration Committee

General Management has the power to calculate and allocate the variables in accordance with the principles, rules, maximum amounts, defined in the framework of this variable compensation policy.

Executive Management's decisions on maluses, reductions and cancellations of variable compensation are submitted to the Compensation Committee, which may increase or decrease them. The changes will be implemented in the next instalment.

The Remuneration Committee is governed by its Internal Regulations. It comprises three members of the Board of Directors and is chaired by the Chairman of the Board of Directors. The Committee meets at least once a year and approves the variable compensation policy. It examines the preparation of compensation decisions, particularly those that have an impact on the risk and risk management of the company and the UCIs concerned and, where appropriate, issues comments communicated to the Board of Directors. Annual variables, as well as changes to the remuneration policy, are submitted to the remuneration committee.

EVALUATION OF POLICY

Taking into account four factors to assess whether the application of the rules on remuneration was well proportional to the situation of the management company:

- Its size or the size of the AIFs and UCITS it manages;
- Its internal organisation;
- The nature, scope and complexity of its activities;
- The cap on variables.

a) The size of the management company

Employees have historically allocated variables for an average total amount of less than €500k, but not capped at this figure.

b) Internal organisation

- Individual risk taking is limited by the organisation of the committees.
- The parent company is a party to the Board of Directors, the Audit and Risk Committee, the Remuneration Committee and periodic control.
- The variables may be modified according to the risk taken and the profitability of the management company.
- The basis of the variables may be reduced or increased depending on the degree of achievement of the results



Of the company in relation to the budget.

- The percentage applied is different depending on the functions and results of each employee.

The reduction in variable remuneration will be significant in the event of annual losses of the company, or risk

taking deemed excessive and unacceptable. It may go as far as the total elimination of variable remuneration. The risks covered mainly include management risks, counterparty risk, non compliance risk, insufficient control, knowledge of customers, a significant distance from industry standards and competition performance, practises aimed at moving away from regulations. On the other hand, consideration of sustainability risks in investment processes is encouraged by Executive Management which takes this into account when determining bonuses.

c) The nature, scope and complexity of activities

- The management company does not use so called 'complex' or sophisticated FDI, or leverage.
- Except for non material exceptions, UCITS and AIFs are mainly invested in European securities.
- AIFs are the source of dedicated funds, well governed by a management agreement, and represent Nbi and very minority assets.

d) The cap on variables

The annual cap is €100000 for all employees, with the exception of the corporate officer.

ARCHITECTURE OF THE SYSTEM

A new method for calculating variable compensation was approved by the Compensation Committee on 24 July 2019, for application from ^{January 1,} 2020, which harmonises Palatine AM's practices with those of the profession, changes in the regulatory framework and the principles of Banque Palatine.

Its main features are:

- Link the overall bonus envelope to Palatine AM's net income (before bonus)
- Calculate and pay bonuses on an annual basis;
- Encourage more collaboration, linking a portion of the bonus to the achievement of a collective goal defined at team, service or department level;
- At the individual level, assess not only performance but also the qualitative elements of the collaboration;
- Recognising and remunerating, both the outperformance of quantitative criteria and the exemplarity of qualitative criteria;
- For sales companies, to abandon commission in favour of an objective bonus; this not only to better meet the principles of the regulatory framework, but above all to better manage commercial action;
- For support function staff (excluding RCCI and Chief Operating Officer), standardising the bonus rate to 15%, of which 5% linked to the achievement of the collective objective.

Calculation of the Bonus

For each employee, an **Individual Reference Bonus** is defined, either as a% of the annual fixed salary or as a value, representing the basis for calculating the bonus for the year.

From this basis, the bonus earned for the past year is calculated according to the following formula:

$$\text{Bonus of the year} = \text{Reference bonus} \times \text{Palatine AM performance coefficient} \times [70\% * \text{Individual performance rate} + 30\% * \text{Individual qualitative coefficient}]$$

With

- Palatine AM performance coefficient ranging from 0 to 1.20 based on Palatine AM's net profit before bonus
- Individual performance rate equal to the weighted scores obtained on the quantitative criteria (individual and collective) chosen for each function. This rate is between 0 and 1.30.
- Individual qualitative coefficient between 0 and 1.20 depending on the quality of the collaboration demonstrated during the year, assessed by the N +1 and the N +2.
- The reference Bonus multiplier is thus between 0.00 and 1.52.

However, the bonus amount obtained is capped at the lower of the following three limits:

PALATINE

ASSET MANAGEMENT

- 100% of annual base salary (fixed)
- 120% of the reference bonus (130% for sales staff)
- Euros100000.

The deferral of the payment of variable remuneration would have, in accordance with the directive, been applicable over 3-5 years, with the allocation of any malus, but is not, in particular, due to the annual cap of variables at €100000.

Corporate officer (annual variable compensation potentially exceeding euros100000)

The spread of 50% of the variable remuneration over 3 years and the release per third annually are applied to the corporate officer. The spread portion is indexed to the performance of the Palatine Equilibre UCI, considered representative of the management of Palatine Asset Management.

As a result, 50% of the variable compensation decided by the Compensation Committee will be spread and unlocked per third annually in N +1, N +2 and N +3 upon the decision of the Compensation Committee meeting at the same time. The amounts will be indexed to the change in the net asset value of the Palatine Equilibre UCI between the date of the committee that decided on the variable remuneration and that of the committee that decided on the release.