

SHELTER INVESTMENT MANAGEMENT

REMUNERATION POLICY

-JUNE 2017-

1. PURPOSE

- 1.1 This remuneration policy (the **Remuneration Policy**) aims at improving the taking, managing and controlling of risks within Shelter Investment Management (**SIM**) by defining guidelines on the structure of remunerations and on their implementation.
- 1.2 This Remuneration Policy reflects SIM's objective to pay remuneration in consistency with, and promoting, sound and effective risk management that does not induce excessive risk-taking.
- 1.3 This Remuneration Policy is considered to be in line with the business strategy, the risk management objectives, the nature, scale and complexity of business activities, and long-term interests, such as sustainable growth prospects, of SIM. It is also considered to be consistent with the principles relating to the protection of SIM's managed investment funds and investors of these funds in the course of services provided.
- 1.4 This Remuneration Policy is established on the basis of CSSF Circulars 2010/437 and 14/585 (the **Circulars**) that implements the Commission Recommendation 2009/384/EC that is the result of a widespread consensus that inappropriate remuneration practices induce excessive risk-taking and has contributed to the financial crisis that unfolded in 2007 and 2008.

2. SCOPE

- 2.1 This Remuneration Policy applies to all employees of SIM without restriction to any remuneration paid after the incorporation of SIM. However, a distinction is made between those employees that control or contribute materially to the risk profile of SIM and those that do substantially less.
- 2.2 It is deemed that only the Core Management falls within the scope of the Circular, as well as the employees in Controlling Functions. The **Core Management** consists of the conducting persons as well as the board of directors of SIM (the **Board**): Benedict Peeters, Reynald Jacobs and Alain Braive. Benedict Peeters, Frédéric Duquenne and Christophe Pecoraro act for the Core Management as conducting persons of SIM (the **Conducting Persons**). The **Controlling Functions** are Compliance, Accounting, Risk Management and Internal Audit. SIM does not engage in any business or transactions without the specific approval and the direct supervision of the Core Management and delegation of decision power is limited. Although all other employees are considered to fall outside of the scope of the Circular, they are still subject to a remuneration policy that discourages unnecessary and uncontrolled risk taking.

3. STRUCTURE OF THE REMUNERATION

Determination of the remuneration

- 3.1 The remuneration of members of the Board and all other employees, if any, is determined by the Board. It is expected that at the launch of SIM, the Board members will not receive any compensation for

their mandates. The financial undertaking's authorised management is responsible for implementing the remuneration policy.

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Core Management

- 3.2 In respect of their own remuneration, the Core Management sets as clear objective that the stability of SIM is needed to take absolute precedence on their own compensation. Their members will only receive a salary and will only start to receive bonuses or distributions when SIM will achieve a certain level of financial stability, measured by factors such as retained earnings and capital base. Hence it is anticipated that up to the end of 2014, Core Management will not receive any distribution. Mr Pecoraro and Mr Peeters will be employed part time 24 hours a week and Mr Duquenne will be employed 32 hours a week. They will receive a fixed compensation in this context.

Composition of the remuneration

- 3.3 SIM's employees remuneration is composed of the following parts:
- (a) fixed salary (some of which may be paid as fixed directorship fees for Core Management);
 - (b) variable cash bonus, which depends on performance and results.
- 3.4 There are no other compensation elements than the above. Whilst all employees receive a fixed salary, not all of them receive a variable cash bonus and deferred bonus.

Relative composition between fixed and variable parts within the overall compensation package

- 3.5 For Core Management and employees in Controlling Functions, the fixed part is more important to the variable part of their compensation compared to employees in "non-controlling functions". In fact, the variable part should never exceed 100% of the fixed compensation and will often be substantially lower, i.e. between 0 and 80%.
- 3.6 For all other employees, which fall outside of the scope of the Circular, there is no hard cap as a percentage of fixed compensation but a general acknowledgement that variable compensation fully takes into account any risk that may be assumed in the business and that therefore such compensation may be deferred until the risk has passed.
- 3.7 SIM maintains a fixed salary policy which enables its employees to face the normal expenses of life without them having to need to rely on receiving variable compensation. This allows SIM to also pay zero variable compensation, in particular in respect to the cash element of such variable compensation in years where business is difficult.

Determination of variable part of compensation

- 3.8 Bonuses are paid without obligation at the absolute discretion of the Board. They depend on performance criteria being met by the individual concerned and the performance of SIM.

- 3.9 In connection with their employment, employees may be granted a bonus in the form of a fixed amount determined in the employment contract, payable once only and relating to the calendar year of their employment (Welcome Bonus). However such Welcome Bonuses should be kept to a minimum and if possible should be avoided all together. Welcome Bonuses can only be granted after approval by the Board.
- 3.10 Subject to employment contracts and employment law, SIM may withhold awarded variable remuneration in full or in part, where the situation of SIM deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern. Moreover, the Board may withhold variable remuneration, in full or in part, when performance criteria are not met by the employee concerned or may require an employee to repay or retransfer all or part of awarded variable remuneration that has been paid or transferred to the employee for performance based on data which was subsequently proven to be fraudulent.

Payments related to early termination

- 3.11 As a matter of principle SIM does not wish to pay any compensation for early termination other than what is required by law. Hence SIM contracts do not include any "golden handshake" terms. However, to protect the interests of SIM sometimes the contracts enforce a notice period of several months (usually three), which means that SIM needs to pay out three months of salary until the person is effectively no longer employed by it.
- 3.12 Generally the employee loses all deferred compensation rights in case he is a "bad leaver", i.e. when the employee terminates his contract to leave to a competitor or if his contract is terminated because the employee:
- (a) in the reasonable opinion of the Board continues to fail or neglect efficiently and diligently to discharge his duties in a way materially affecting SIM after two written warnings by any of the Conducting Persons or by the chairman of the Board (the **Chairman**) or is guilty of any serious or repeated breach of his obligations;
 - (b) is guilty of serious misconduct or any other conduct which affects or in the reasonable opinion of the Board is likely to affect prejudicially the interests of SIM or is convicted of an arrestable offence (other than a road traffic offence for which a non-custodial penalty is imposed);
 - (c) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (d) is disqualified from being a director of any company by reason of an order made by any competent court;
 - (e) resigns as a director without the prior consent of the Conducting Persons or the Chairman;
or
 - (f) is guilty of any breach or non-observance of any code of conduct, rule or market regulation or fails within a reasonable period of time to become or ceases to be registered (where such registration is, in the opinion of the Board, required for the performance of his duties) by any regulatory body.
- 3.13 On the above basis, if the Board decides to terminate the contract of an employee for good reasons, the employee loses all deferred compensation. This acts as a strong incentive for employees to be diligent and responsible.

4. PERFORMANCE MEASUREMENT

4.1 Without prejudice to the structure of remuneration described above, the total amount of variable remuneration that may be awarded to an employee shall be based on a combination of the assessment of the performance of the individual and of the overall results of SIM.

4.2 The performance assessment shall be updated yearly and all annual performance reviews will be retained and contribute to the overall assessment of the employee.

4.3 The annual performance is conducted along five major dimensions:

Financial performance

4.4 Measurement of the extent to which the employee has proven to contribute to the financial bottom line of the firm. This can be by bringing in business, introducing new clients, keeping costs under control, etc.

Client focus

4.5 Measurement of the client focus demonstrated by the employee. This can be by developing new clients, networking, establishing new relationships, etc.

Operational control, risk management, product quality, diligence

4.6 Measurement of the diligence, risk management and quality drive exhibited by the employee, his/her contribution to a well-controlled and well organised business environment.

Motivation

4.7 Measurement of the drive and enthusiasm demonstrated by the employee in achieving SIM's objectives.

Expertise and self-development

4.8 Measurement of the extent to which the employee possesses and develops his relevant business expertise.

4.9 As a result of the above approach, two employees having fulfilled the same economic objective however with different risk profile for SIM, are treated and compensated differently.

4.10 As part of the performance evaluation, every year both short-term and long-term objectives are set for the employees. The performance evaluation considers the progress the employee has made meeting these objectives. SIM has been performing such performance evaluation since its creation and all performance assessments are documented which allows SIM to monitor the performance of its employees over a long horizon in a coherent and consistent way.

4.11 The performance assessment is made under the responsibility of the Board.

4.12 Finally, as financial performance is only one of the five performance evaluation criteria, it is clear that the performance monitoring is broad based and aims at developing a stable and sustainable business.

5. GOVERNANCE OF THE REMUNERATION POLICY

- 5.1 The structure of this Remuneration Policy shall be updated by the Board over time to ensure that it evolves to meet the changing situation of SIM. The Board shall, on an annual basis, make sure, that SIM has appropriate policies and procedures in place.
- 5.2 Without prejudice to the overall responsibility of the Board, the implementation of this Remuneration Policy shall be subject, at least on an annual basis, to central and independent internal review by the control functions for compliance with policies and procedures defined by the Board. The control functions shall report on the outcome of this review to the Board. A copy of said reports shall be put at the disposal of the CSSF.
- 5.3 The Remuneration Policy is made electronically available to all employees, in particular those dealing with the criteria that will be used to determine the remuneration and the appraisal process,

6. DISCLOSURE OF THE REMUNERATION POLICY

- 6.1 Without prejudice to confidentiality and data protection provisions, relevant information contained in this policy and any updates in case of policy changes shall be disclosed by SIM in a clear and easily understandable way to relevant stakeholders. Such disclosure may take the form of periodic disclosure in annual financial statements.
- 6.2 The following information should be disclosed:
- (a) information concerning the decision-making process used for determining this Remuneration Policy, and the role of the relevant stakeholders;
 - (b) information on the link between pay and performance;
 - (c) information on the criteria used for performance measurement and risk adjustment;
 - (d) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
 - (e) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.
- 6.3 The level of the information to be disclosed may take into account the nature, the size as well as the specific scope of activities of SIM.

Name: Mr Reynald Jacobs

Chairman

Signed on:

Name: Mr Benedict Peeters

Board Member

Signed on:

A handwritten signature in purple ink, appearing to read "Benedict Peeters", is written over a horizontal line.

Name: Mr Alain Braive

Board Member

Signed on: