

Nikko Asset Management Luxembourg S.A.

Remuneration Policy

2021/02/25

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Nikko Asset Management Luxembourg S.A.

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1. Preamble

This remuneration policy (this "**Policy**") purports to fulfil the requirements of (i) Articles 111bis and 111ter of the Law of 17 December 2010 on undertakings for collective investment, as amended (the "**2010 Law**"), (ii) article 12 and Annex II of the law of 12 July 2013 on alternative investment fund managers, as amended (the "**AIFM Law**"), (iii) Section 5.5.9 of the CSSF Circular 18/698 and (iv) the ESMA guidelines on sound remuneration policies under the UCITS Directive and the AIFM Directive (the "**ESMA Guidelines**").

Having regard to the current structure of the Company, this Policy has been drafted taking into consideration the size, internal organisation, nature, scope and complexity of the Company's activities, as further detailed under point 4 below. It has been approved by the board of directors of the Company (the "**Board**") on the date specified above.

This Policy and the practices thereunder reflect the objectives of good corporate governance and sustained, long-term value creation for the shareholders/unitholders of the UCITS and AIFs managed by the Company and for the customers of the Company. This Policy and the practices thereunder also aim to promote sound and effective risk management.

In 2020 a German branch of the Company was established, which has started business activities from 1 January 2021, Nikko Asset Management Luxembourg S.A. (German Branch) is in scope of this Policy.

2. Scope of this Policy

For the purposes of this Policy, "remuneration" consists of:

- (i) all forms of payment including any cash allowances provided by the Company;
- (ii) any amount paid by the UCITS/AIF itself, including performance fees; and
- (iii) any transfer of units or shares of the UCITS/AIF in exchange for professional services rendered by the Company's Identified Staff (as defined below).

If remuneration is based on fixed remuneration (payments or benefits without consideration of any performance criteria) it may include:

- (i) monetary payments or benefits (such as cash, shares, options or pension contributions); and
- (ii) non-monetary benefits (such as discounts, fringe benefits or special allowances for a car, mobile phone, etc.).

Remuneration may also comprise a variable component as further described below.

3. Identified Staff

This Policy applies to the following categories of staff (the "**Identified Staff**") which comprise:

- (i) members of the Board;
- (ii) senior management (meaning the persons in charge of the day-to-day management of the Company - i.e. the conducting officers of the Company) (the "**Conducting Officers**");
- (iii) employees.

The Company's Board currently consist of six (6) members, (4 members from other group entities, 1 executive member who is also employed by the Company and acting as conducting officer, and 1 independent director). The Board has delegated the day-to-day business to four (4) Conducting Officers. The Company also has 2 further employees. Therefore there is a total of 6 employees (4 Conducting Officers and 2 employees) at the Company's premises. In addition the Company's German Branch has 2 employees located in Frankfurt.

4. Proportionality principle

This Policy has been drafted in light of the size, internal organisation, nature, scope and complexity of the Company's activities.

This Policy is in line with the business strategy, objective, values and interests of the Company and of the UCITS/AIF under management and includes measures to avoid conflicts of interest.

The Company has decided to apply the proportionality principle on the basis of the size, internal organisation, nature, scope and complexity of the Company's activities. Therefore, the following requirements of the ESMA Guidelines are disapplied:

- (i) variable remuneration in instruments;
- (ii) retention;
- (iii) deferral;
- (iv) ex-post incorporation of risk for variable remuneration;
- (v) establishment of a remuneration committee.

Indeed, the Company has non-complex and limited activity, as per provision 29.c) of the ESMA Guidelines, as the Company:

- (i) currently has six fulltime employees;
- (ii) is managing few numbers of UCITS/AIF and discretionary portfolio management mandates (hereafter "DPM mandates") with relatively simple investment policies/risk profiles;
- (iii) the assets under management as of 31 December 2020 amounted to EUR 9.127 billion;
- (iv) the number of UCITS/AIF under management as of 31 December 2020 is 15 sub-funds over three umbrella UCITS.

According to the requirement of the CSSF Circular 18/698, the Company has informed the CSSF of its proportionate approach to compliance with the remuneration principles as above described.

The application of the proportionality principle will be reassessed by the Company on a yearly basis.

5. Remuneration principles

5.1 General principles

The remuneration, if any, of all Identified Staff (excluding the members of the Board and the independent Conducting Officers) will be jointly fixed by the Nikko AM Group's General Executive Committee ("GEC") and the Board, on the basis of the following criteria:

- Knowledge & skills
- Learning attitude
- Risk management & governance
- Adherence to applicable policies, processes & procedures follow up
- Leadership
- Accountability
- Performance
- Alignment to client interests
- Avoidance of conflicts of interests
- Transparency
- Market levels of pay
- Company and group levels of performance and profitability
- Consideration of sustainability risks in accordance with Article 5 of Regulation 2019/2088, where relevant for any particular individual

In this document references to risks include, where relevant, sustainability risks (as and when applicable in relation to certain sub-funds of the UCITS/AIFs and DPM mandates managed by the Company).

Conduct is also a consideration in the award of remuneration; individuals are expected to work and conduct themselves in line with the Nikko AM Group's core values of:

- Stability
- Diversity
- Focus

- Innovation
- Teamwork
- Communication

5.2 Variable remuneration

5.2.1 Principle of variable remuneration

Any payment of variable remuneration under any form whatsoever, paid directly by the Company or to the extent applicable, the UCITS/AIF themselves (including carried interest) and any transfer of units or shares of the UCITS/AIF to the Identified Staff, where applicable, should in all cases, except if such payment constitutes a reimbursement of expenses or a pro-rata return on investments within the meaning of the ESMA Guidelines, follow the principles set forth here:

- (i) The appropriate balance of remuneration components may vary across staff members, depending on their function, activities, seniority and their personal achievements but the variable part of the remuneration should in principle not exceed a figure within the region of 50-100% of their annual remuneration.
- (ii) Due to the size, internal organisation, nature, scope and complexity of the Company's activities, the variable remuneration will consist of cash and will not be paid in the form of units or shares of the UCITS/AIF concerned.
- (iii) Based on the proportionality principle, the Company will not defer the variable remuneration. Indeed the amount of this variable remuneration and the nature, size and complexity of the Company's activities do not justify such deferral.
- (iv) Due to the size, complexity and nature of the Company's activities, no performance adjustment measures will be implemented.
- (v) The variable remuneration will only be paid 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 UCITS/AIF and the individual concerned. As a result, the variable part of the remuneration shall never be guaranteed and the Company reserves the right to not pay it (or to reduce it) if it is not sustainable.
- (vi) The Company may nevertheless, on an exceptional basis, decide to guarantee the payment of exceptional variable remuneration (for the first year of employment) when hiring highly qualified new staff. In such a case, the Company will decide the terms and conditions of such an exceptional bonus by taking into consideration the financial position of the Company and the funds managed by it. The number of new hires to whom such exceptional variable remuneration is expected to be awarded to is minimal.
- (vii) All payments related to the early termination of a contract will reflect performance achieved over time and will not be designed in a way that rewards failure.
- (viii) The Company does not currently have any pension policy.

5.2.2 Performance evaluation

When the variable remuneration of the relevant person is performance related, it will be determined by (i) the outcome of the performance evaluation of the relevant person, (ii) the overall result of the Company, and (iii) the overall result of the group to which the Company belongs (the "Nikko AM Group").

A performance evaluation will be done, on an annual basis (the "Accrual Period"), to assess the individual performance of the Conducting Officers, the persons heading the control functions and the rest of the Identified Staff. The performance evaluation will be done in relation to the Accrual Period but will take into account the performance over a multi-year framework appropriate to the life-cycle of the UCITS/AIF or DPM mandates to be managed by the Company.

The performance evaluation will be done during the first quarter of the calendar year. The assessment of the performance of the relevant person relates to financial and non-financial criteria. The appropriate mix of both criteria may vary depending on the tasks and responsibilities of the staff member.

The Company ensures that the performance evaluation used to calculate the variable remuneration takes into account the full range of current and potential risks associated with the activity of the Company.

The evaluation is also based on other criteria listed at clause 5.1 above.

5.2.3 Award process

Depending on (i) the performance of the Company and on the Nikko AM Group's performance in the present financial year and (ii) following any discussions with the parent company, the GEC (together with the Board) will fix a global pool for the variable remuneration component of the relevant persons. This pool will be allocated based on a performance management process as detailed above. Risks are taken into account when the amount is determined by the Company.

After the Accrual Period the Company will translate the result of the performance management process into the variable remuneration component for each staff member.

5.2.4 Risk mitigating features

In order to limit excessive risk taking:

- (i) there will be no variable remuneration paid by the Company for members of the Board;
- (ii) the variable remuneration of the individuals eligible for variable remuneration will be both performance-based and risk adjusted based on:
 - Individual annual performance;
 - The Company's and the group's performance.

In addition, the individuals will be required to undertake not to use personal hedging strategies or remuneration and liability related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. In accordance with the ESMA Guidelines, insurances designed to cover personal payments such as healthcare and mortgage instalments should in principle be allowed. In order to avoid any circumvention of the remuneration principles set forth herein, any insurance of such a kind shall be notified to the Board, who shall, on a case-by-case basis, make sure that the latter is in line with the requirements set forth in the AIFM Law and the UCI Law and, the case being, take appropriate measures to regularise the situation.

5.2.5 Recording of the determination of the overall variable remuneration

The Company will document the award process and ensure that records of the determination of the overall variable remuneration pool are maintained.

5.3 Remuneration of the Board of directors

The remuneration of the members of the Board will be proposed by the GEC and fixed by the shareholders of the Company. Four (4) of the directors are employed by entities within the Nikko AM Group, and one (1) director is independent from the Nikko AM Group. The Nikko AM Group-related directors are not remunerated by the Company for their positions as Board members of the Company. The other director is independent and is remunerated by the Company and receives a fixed annual directorship fee.

The remuneration of the non-executive Board members will in no case be linked to the performance and results of the Company. There will be no variable remuneration paid by the Company for these Board members.

The remuneration of the Board is included within the figure for 'Other Operating Charges' within the Profit and Loss Account of the Company's annual report.

5.4 Remuneration of all Identified Staff other than the Board members

Remuneration of the Company's employees

The remuneration level of the Company's employees (including the Conducting Officers) is fixed by the Nikko AM Group's General Executive Committee with the aim of being sufficient to attract and retain qualified and experienced personnel and to ensure independence in the performance of their role. Any remuneration awarded by the Company is aligned with the principles of:

- Sound and effective risk management
- Compatibility with the Company's long term business strategy

The fixed salary rewards employees for performing day-to-day responsibilities reflecting their function's characteristics, their unique set of competencies, and geographic location. This compensation is typically paid monthly over a twelve-month period.

The fulltime employees of the Company are eligible for variable remuneration in accordance with Section 5.2 above.

6. Review and implementation of this Policy

The implementation of this Policy will be reviewed on an annual basis at a minimum by the Board, which will assess whether and ensure that: (i) this Policy operates as intended; (ii) all agreed plans/programmes are being covered; (iii) the risk profile, long-term objectives and goals of the Company are adequately reflected; (iv) it is compliant with national and international regulations, principles and standards applicable to this Policy and (v) variable remuneration is not paid through vehicles or that methods are used which aim at artificially evading the provisions in the AIFM Law, the UCI Law or the ESMA guidelines.

The compliance function, as well as, insofar as necessary, the Company's external legal adviser, will be closely involved in reviewing this Policy.

Based on the outcome of this review, the Board will assess whether it is necessary to amend this Policy. This assessment shall be made at least annually and each time a material change likely to affect the remuneration policy of the Company occurs.

At the occasion of his/her review, the compliance officer will ensure that:

- this Policy of the Company is consistent with and promotes sound and effective risk management, and:
 - (i) is in line with the business strategy, objectives, values and interests of the Company and the UCITS/AIFs or DPM mandates it manages,
 - (ii) does not encourage excessive risk taking as compared to the investment policy of the UCITS/AIFs/DPM mandates managed by the Company, and
 - (iii) enables the Company to align the interests of the UCITS/AIFs and their investors and of the Company's customers for the DPM mandates with those of the Identified Staff that manages such UCITS/AIFs/DPM mandates, and to achieve and maintain a sound financial situation;
- the Company's overall corporate governance principles and structures, as well as their interactions with the remuneration system are considered within the design and implementation of the Company's remuneration policies and practices;
- the following elements are taken into account: the clear distinction between operating and control functions, the skills and independence requirements of members of the Board, the safe-guards for preventing conflicts of interests and the internal reporting system and the related parties' transactions rules; and
- the delegates comply with section 8 of this Policy.

7. Remuneration committee

The scope, nature and complexity of the activities of the Company being limited, the Board and the conducting officers consider that no formal remuneration committee needs to be set up.

As and when the size and complexity of the Company warrants this, the Board may decide to establish a Remuneration Committee.

8. Measure in case of delegation of portfolio management or risk management activities

When delegating investment management or risk management functions according to Article 110 of the UCITS Law and article 18 of the AIFM Law, the compliance officer, on behalf of the Company, will ensure that:

- the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under these guidelines; or
- appropriate contractual arrangements are put in place with entities to which portfolio management or risk management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines. In accordance with the guidelines, the contractual arrangements will cover any payments made to the delegates' identified staff as compensation for the performance of investment management activities on behalf of the Company.

The compliance officer will escalate any questions to the Board.

8.1 Delegation arrangements

The Company has, subject to the continuous control and supervision and under the overall responsibility of the Company, appointed the entities listed below as investment managers for Nikko AM Global Umbrella Fund, Nikko AM Global Umbrella Trust & Nikko AM Global Investments (Luxembourg) sub-funds:

- **Nikko Asset Management Co., Ltd.**, Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo 107-6242, Japan.
Nikko Asset Management Co., Ltd. is licensed to provide, among others, non-discretionary investment advisory services and discretionary investment management services in Japan and registered as investment advisor with the US Securities and Exchange Commission.
- **Nikko Asset Management Asia Limited**, 12 Marina View, #18-02 Asia Square Tower 2, Singapore 018961 (Business Registration No: 198202562H).
Nikko Asset Management Asia Limited holds a Capital Markets Services Licence for the regulated activity of Fund Management, Dealing in Securities and Trading in Futures Contracts issued by the Monetary Authority of Singapore.
- **Nikko Asset Management Europe Ltd**, 1 London Wall, London EC2Y 5AD, United Kingdom.
Nikko Asset Management Europe Ltd. is regulated by the Financial Conduct Authority in the United Kingdom.
- **Nikko AM Limited**, Level 26, Tower 1, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia.
Nikko AM Limited holds an Australian Financial Services License 237563 that authorises it to provide general advice and investment management services to retail and wholesale client.
- **Nikko Asset Management Americas, Inc.**, a Delaware corporation, is registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC") under the U.S. Investment Advisers Act of 1940, as amended, and as a commodity trading adviser with the U.S. Commodity Futures Trading Commission.

The Company has also appointed Nikko Asset Management Americas, Inc, as its delegate for a DPM mandate.

The Company will take steps to ensure that the delegate investment managers are subject to remuneration requirements which are equally as effective as the UCITS/AIF requirements, or alternatively will contractually impose the relevant remuneration guidelines upon the relevant investment managers in order to ensure that there is no circumvention of the remuneration rules.

The Company does not currently and does not intend to delegate risk management functions to third parties.

9. Prevention of conflicts of interest

The remuneration of the independent Director and Conducting Officers has been negotiated at normal arm's length rates for the type of services provided. The structure and amount of the remunerations does not, in the opinion of the Board of directors, lead to any conflicts of interest other than those which are otherwise inherent in their positions with the Company. The Company has a conflicts of interest policy, and conflicts are a fixed item on the agenda of every Board meeting.

10. Disclosure

10.1 Internal disclosure

This Policy will be accessible to all staff members, which will know in advance the criteria that will be used to determine their remuneration.

The performance evaluation will be properly documented and transparent to the individual concerned. Confidential quantitative aspects of the remuneration of staff members will of course remain confidential and will thus not be internally disclosed.

As and when requested, the information provided to individuals concerning variable remuneration may contain the following elements:

- (i) information on the criteria used for performance evaluation and the risk adjustment;
- (ii) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based, when applicable.

10.2 External disclosure

This Policy will be accessible to regulator and other state bodies who are officially entitled to request such Policy.

The Board shall ensure that the prospectus of the UCITS managed by the Company shall contain either:

- the details of this Policy, including, but not limited to, a description of how remuneration and benefits are calculated and the identity of the persons responsible for awarding the remuneration and benefits; or
- a summary of this Policy and a statement to the effect that the details of this Policy, including, but not limited to, a description of how the remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee should such a committee exist, are available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

The Board shall ensure that the Key Investor Information Document for each class of shares issued for UCITS managed by the Company shall include a statement to the effect that the details of this Policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits are

available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

The Board shall ensure that the annual report of the UCITS shall contain such information on the remuneration payable by the Company as foreseen by Article 151(3) of the 2010 Law and that the annual report of the AIFs shall contain such information on the remuneration paid by the Company as foreseen by article 20(2) of the AIFM Law. In particular, such information shall encompass the remuneration of the staff of the delegates of the Company to whom investment management has been delegated, in accordance with the ESMA Q&A of 4 June 2019 on the application of the UCITS Directive and on the application of the AIFMD.

This Policy shall be made available on the website of the Company <https://emea.nikkoam.com/>