

Japan Fund Management (Luxembourg) S.A.

Remuneration Policy 2019 - Summary

Japan Fund Management (Luxembourg) S.A. (the “Management Company”) has established and applies a remuneration policy (the “Remuneration Policy”) and practices that are consistent with, and promote, sound and effective risk management and that never encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds it manages.

The Remuneration Policy sets out the legal and regulatory requirements, as well as the related actions, which JFML has to comply with in order to meet its obligations, in the area of remuneration as Management Company authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment, as amended (the “Law of 2010”) and as alternative investment fund manager (“AIFM”) authorised under the law of 12 July 2013 relating to alternative investment fund managers, as amended (the “AIFM Law”). The Management Company manages undertakings for collective investment subject to Part I and Part II of the Law of 2010, specialised investment funds (“SIF”) set-up under the Luxembourg law of 13 February 2007 on specialised investment funds, as amended (the “SIF Law”) as well as Irish unit trusts established under the Irish Unit Trusts Act of 1990 (the “Unit Trust Act”).

The Remuneration Policy integrates the provisions of the European directives and regulations and laws related to remuneration and corporate governance, the Commission Delegated Regulation EU No. 231_2013, the ESMA Guidelines 2013/232 of 3 July 2013 on sound remuneration policies (the “ESMA Guidelines”) under the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers (the “AIFMD”), the ESMA final report 2016/411 of 31 March 2016 on the guidelines on sound remuneration policies (the “ESMA Final Report”) under the UCITS Directive and AIFMD, the Directive 2014/94/ EU on UCITS V and the Law of 10 May 2016 transposing UCITS V.

The Remuneration Policy includes fixed and variable components of salaries and applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company or the Funds managed by the Management Company (all the funds managed by the Management Company are to together referred to as the “Funds”).

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company, the Funds and their unitholders and includes measures to avoid conflicts of interest.

➤ Delegation of Activities

The Management Company is currently delegating portfolio management activities, and shall ensure that delegates are subject to regulatory requirements on remuneration that:

- are equally as effective as those under the AIFM Law and the Law of 2010; or
- appropriate contractual arrangements are enforced in order to ensure that there is no circumvention of the remuneration rules with respect to payments to identified staff within the delegate.

In an attempt to ensure the compliance of delegates with applicable laws and regulations, especially regarding variable remuneration provisions, the Management Company incorporates such requirements into the contractual terms of the agreements entered into with its delegates.

➤ Perimeter of Identified Staff

The Management Company has determined all of its “Identified Staff” as per AIFMD and UCITS regulatory frameworks (including but limited to the various ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD), in order to capture all staff whose responsibilities and decision authority have a significant impact on the organization’s risk profile.

Given that portfolio management activities have been delegated, “Identified Staff” may include the members of the Board of Directors of the Management Company (the “BoD”), its senior management as well as key staff in operational risk management and control functions where relevant.

The list is determined and reviewed on a yearly basis by the Management Company. Such list is then discussed and validated during meetings of the BoD.

➤ Assessment Process

The assessment of performance is set in a multi-year framework in order to ensure that the focus is set on the longer-term performance of the Management Company and its investment risks. Assessed criteria are both quantitative and qualitative to ensure that any risk-taking activities or behavior is not fostered.

➤ Fixed vs. Variable Remuneration

The fixed and variable components of total remuneration are 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.

Compensation of the staff engaged in control functions is made in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control.

➤ Compliance with AIFMD and UCITS Regulations in a Proportionate Manner

The organization complies in a manner that is appropriate to the structure of the Management Company, taking into account its low size (9 employees on November 27th, 2019), limited perimeter of Identified Staff, and nature and low complexity of the Funds’ investment strategies.