

Remuneration Policy



INTRODUCTION

Japan Fund Management (Luxembourg) S.A. (“JFML”) is a management company authorised under Chapter 15 of the Luxembourg Law of 17 December 2010, as amended, and an alternative investment fund manager authorised under the Luxembourg Law of 12 July 2013, as amended. JFML manages undertakings for collective investment subject to Part I or Part II of the Luxembourg Law of 17 December 2010, specialised investment funds subject to the Luxembourg Law of 13 February 2007, reserved alternative investment funds subject to the Luxembourg Law of 23 July 2016, as well as Irish unit trusts subject to the Irish Unit Trust Act, 1990.

JFML 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 (including sustainability risks) which is inconsistent with the risk profiles, rules or instruments of incorporation of the funds it manages.

REGULATORY PROVISIONS

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. Moreover, pursuant to article 5 of the Regulation (EU) 2019/2088, the Remuneration Policy contains appropriate information on how such policy is consistent with the integration of sustainability risks.

The Remuneration Policy integrates the provisions of the European directives and regulations, as well as the laws related to remuneration and corporate governance, such as the Commission Delegated Regulation (EU) 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.

SCOPE

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 a 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 funds managed by the Management Company are 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 not 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 behaviour 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. The variable remuneration depends on the achievement of specific objectives, mainly qualitative, assigned to the employees. In identifying such objectives, the Management Company does not encourage excessive risk-taking with respect to sustainability risks.

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.

SUSTAINABILITY RISKS

According to Article 5 “Transparency of remuneration policies in relation to the integration of sustainability risks” of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”), financial market participants (i.e. UCITS Management Companies and AIFMs) are required to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites.

All Identified Staff (except the independent director and the chairman of the Board) got a working contracts with JFML and are remunerated as employees of JFML with a combination of a fixed remuneration and a discretionary variable remuneration.

Due to the nature of the activities of JFML (full delegation of the investment management activity for all Funds to the relevant entities appointed) and considering the variable remunerations components are not based on the performance of the Funds, JFML believes there is no risk of misalignment with the sustainability risk associated with the investment decision making process of JFML conducted for the Funds. Therefore there is no impact of the variable remuneration of the Identified Staff on the risk profile of the Funds.

JFML delegates the investment management activity to qualified investment managers. Where delegated, the investment manager shall ensure that it adopts remuneration policies and procedures which aim to avoid the taking of undue risk (including sustainability risk) which JFML considers as equally effective as the Guidelines on Sound Remuneration Policies under the AIFMD and should ensure, when sustainability risks are integrated into the investment decision making process, that the remuneration policy is

consistent with the integration of such sustainability risks. JFML shall seek periodic confirmations from each delegated investment manager that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability risks and remuneration is limited to risk adjusted performance.

Although the activities of the Identified Staff have no direct impact on the performance capabilities of the Funds and even though the performance of the Funds does not directly impact the remuneration of the Identified Staff, the remuneration of JFML can be ultimately affected by the performance of the Funds as the remuneration of JFML is mostly calculated as a percentage of the total net assets under management.

Accordingly, JFML believes that its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.

COMPLIANCE WITH AIFMD AND UCITS REGULATIONS IN A PROPORTIONATE MANNER

The organization complies in a manner that is appropriate to the structure of JFML, taking into account its small size, limited perimeter of Identified Staff, and nature and low complexity of the Funds' investment strategies.