

# UBS Third Party Management Company S.A.

Registered Office: 33A avenue J.F. Kennedy, B.P. 91, L-2010 Luxembourg  
Registre de commerce: Luxembourg B 0045991

## Main principles of the remuneration Framework

The Board of Directors of UBS Third Party Management Company S.A. ("UBS TPM"), having transferred its entire staff to UBS Fund Management (Luxembourg) S.A. ("UBS FML" or the "Company") adopted the UBS FML remuneration Framework. Last updated version adopted on 19 December 2023.

### 1. Overview

This document summarizes the principles governing the remuneration and compensation framework of UBS FML, which are described under its remuneration framework (the Framework) whose objectives are:

- to set out the principles governing the remuneration systems in organizational guidelines, in line with the UBS Total Reward Principles reviewed and last approved by the UBS Group AG Board of Directors in October 2021;
- to promote a sound and effective risk management environment, not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Undertakings for Collective Investment in Transferable Securities (UCITS) and/or Alternative Investment Funds (AIFs) managed, or investment guidelines set for discretionary investment and investment advice mandates (Mandates) and to comply with the UBS business strategy, objectives, values and interests, including measures to avoid conflicts of interests, as stated under the UBS Group Conflicts of Interests Policy; and
- to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under (i) the UCITS Directive 2014/91/EU (the **UCITS V Directive**) transposed into the Luxembourg UCITS Law dated 17 December 2010, as amended from time to time (the **UCITS Law**), (ii) the Alternative Investment Fund Managers (AIFM) Directive 2011/61/EU, transposed into the Luxembourg AIFM Law dated from 12 July 2013, as amended from time to time (the **AIFM Law**), (iii) the ESMA's final guidelines on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016 respectively 14 October 2016 (the **ESMA Guidelines**) and (iv) the CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010; (v) Directive 2014/65/EU on markets in financial instruments (**MiFID II**); (vi) Commission Delegated Regulation 2017/565/EC of 25 April 2016 supplementing Directive 2014/65/EU (**MiFID II Level 2**), and (vii) CSSF Circular 23/841, transposing the ESMA Guidelines on certain aspects of the MiFID II remuneration requirements (ESMA35-43-3565) (**MiFID ESMA Guidelines**);
- to align the interests of the UBS FML and the MiFID service of investment advice and discretionary portfolio management and reception and transmission of orders in relation to financial instruments with the interest of clients to whom the MiFID service is offered, consistent with the view that all clients are treated fairly and their interests are not impaired by the remuneration in the short, medium or long term;
- and to inform all employees of UBS FML on the applicable rules as well as on their implementation, including employees operating from UBS FML's Branches.

The Board of Directors of UBS FML has updated and approved the Framework on 4 October 2023. The Framework applies to all UBS FML employees, including employees operating from UBS FML's Branches.

The Framework is governed by the UBS Group AG Total Reward Principles, which underpin UBS Group's approach to compensation, globally. They establish a framework for compensation decisions and compensation programs across the organization that balances performance with prudent risk taking. The principles and their implementation guidance focus on sustained profitability, sound governance, and strong risk awareness and build on UBS's guiding principles of client focus, excellence and sustainable performance, while giving full effect to relevant regulatory requirements.

### 2. Compensation Principles and elements of remuneration

The remuneration of all staff members of UBS FML, including employees operating from UBS FML's Branches consists of the following components:

- Fixed compensation consists of a base salary paid on a monthly basis, which is determined by taking into consideration the role of the individual employee, including responsibility job complexity, experience and local market conditions. It represents a sufficient high proportion of the total compensation and allows a fully flexible bonus strategy, including the possibility to pay no variable compensation component. It is also to be noted that where UBS FML offers additional fringe benefits, these are an integral component of fixed remuneration;

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- The variable remuneration allocated is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of UBS FML and of UBS Group AG. Moreover, the assessment of individual performance is taking into consideration quantitative (financial) and qualitative (non- financial) criteria.

The various compensation components are combined to ensure an appropriate and balanced compensation package that reflects the nature of the business unit, the employee's rank, the professional activity as well as the local market practices. Variable remuneration is not paid through vehicles or methods that facilitate the non-compliance with the regulatory provisions laid down under the UCITS V Directive and AIFM Laws. The remuneration structure does not favour the interests of UBS FML or its relevant persons (according to MiFID) against the interests of any client.

Guaranteed variable compensation is not consistent with sound risk management or pay-for-performance and shall not be a part of Compensation plans. In exceptional cases, a guaranteed incentive award can be granted to a new employee for the first year of employment only.

In the event of the early termination of an employment contract, the individual concerned will only be entitled to his salary, in accordance with the provisions of the employment contract and the relevant and applicable labour law regime. In particular, no bonus will be granted to any such individual.

All employees are required to undertake not to use personal hedging strategies or compensation, and liability, related insurance to undermine the risk alignment effects embedded in their compensation arrangements.

It is to be noted that employees in control functions are compensated in accordance with the achievement of the objectives linked to their functions and independent from the performance of the business areas they control.

### 3. Proportionality

UBS FML complies with the UCITS, AIFMD and MIFID principles in a way and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of their activities.

Considering the total size of funds under management, both UCITs and AIFs although a significant portion is not complex or risky investment, UBS FML judges that the proportionality principle may not be applicable at the level of the Company but at the level of the Identified staff.

By application of the proportionality principle for the Identified staff, the following requirements on pay-out processes for Identified staff may be dis-applied:

- The payment of variable remuneration in instruments related mainly to the funds in relation to which they perform their activities;
- Deferral requirements;
- Retention periods;
- Incorporation of ex-post risk factors (i.e. malus or clawback arrangements).

The deferral requirements remain however applicable when the employee's total annual compensation is exceeding the threshold defined under the UBS Group Compensation Framework; the variable compensation will be treated in line with the plan rules defined under the UBS Group Compensation Framework.

### 4. Organs responsible for the award of remuneration and benefits

The corporate governance structure of UBS Group AG ensures that the group's overall Global Compensation Framework complies with all applicable regulatory requirements. This is achieved through the following bodies: Group Executive Board, Board of Directors' Compensation Committee (BoD CompCo), Board of Directors' Risk Committee, Full Board of Directors.

In addition to the above and in order to ensure that the implementation of the Framework complies with additional local regulatory requirements, the following bodies are responsible for the Framework at UBS FML's level:

The Board of Directors is responsible for:

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- approving its internal organisation, of the effective oversight of senior management, of the definition of the overall policies governing the provision of services and activities;
- overseeing and approving the set-up of a Remuneration Committee;
- approving and annually reviewing the Framework including the Identified Staff and proportionality principle assessment and reviewing its appropriateness (at least annually) and updating as necessary, ensuring it continues to be compliant with applicable national and international regulations, principles and standards;
- overseeing its implementation by the Remuneration Committee;
- approving any subsequent material exemptions or changes suggested by the Remuneration Committee by considering carefully and monitoring their effects;
- ensuring that the overall corporate governance principles and structures are considered with the design and implementation of the remuneration policies and practices; and
- approving the remuneration recommendations issued by the Remuneration Committee.

The Remuneration Committee, composed of the members of Board of Directors who do not perform executive functions at the UBS FML level as well as of Directors who qualify as independent directors, is responsible for:

- providing advice to the Board of Directors of UBS FML on the design of the Remuneration Framework and updates to the remuneration strategy in line with regulatory requirements and with the principles defined under it;
- reviewing and reassessing the adequacy of the remuneration Framework at least annually and submit proposed changes to the Board of Directors;
- proposing to the Board of Directors the recommendations regarding the remuneration of the UBS FML Identified Staff in line with the ESMA guidelines
- reviewing the appointment of external remuneration consultants that the Board of Directors may decide to engage
- ensuring that the UBS FML compensation principles and practices:
  - ✓ are consistent with and promote sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk of UBS;
  - ✓ are in line with business strategy, objectives, values and long-term interests of UBS; and
  - ✓ avoid conflicts of interest.

The Remuneration Committee has access to external and internal advice that is independent of advice provided by or to senior management. It takes ESG principles into consideration where applicable.

The Human Resources ("HR") department of UBS Europe SE, Luxembourg Branch, provides human resources services to UBS FML. The HR department, in partnership with UBS Group's Human Resources department, is responsible for:

- assisting the Remuneration Committee on remuneration matters;
- implementing remuneration-related matters into processes and procedures within the entity as required under the Framework;
- assisting in the provision of relevant information required under the Framework;
- coordinating the monitoring of the consistent application of the Framework and evaluates its operation; and
- centralizing the contractual terms.

The Risk Management function is responsible for assessing how the variable remuneration structure affects the risk profile and investment strategy relevant to the UCITS/AIF and discretionary mandate managed by UBS FML.

The Compliance function is responsible for reviewing compliance with applicable remuneration regulations and UBS internal policies.

The Internal Audit function shall periodically carry out a transparent and independent audit of the design, implementation and effects of the Framework.

The Branch Managers will ensure that the application of the remuneration principles is compliant with UBS FML's standards as described in this Remuneration Framework. Any discrepancy will be escalated by the Branch Managers to the UBS HR Team based in Luxembourg, the Conducting Officer in charge of the Branch Oversight and to UBS FML Compliance department. In addition, the Branch Managers will provide regular update to UBS FML through the submission of KPIs / KRIs.

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## **5. Integration of sustainability risk in the remuneration process**

Please refer to the relevant disclosures on UBS TPM website.

## **6. Review and Amendment**

The Framework and its implementation is reviewed at least on a yearly basis by the various parties as set out here above by taking into consideration all applicable mandatory requirements but also any new product and service provided by UBS FML which may impact the Framework.

A paper copy of the Framework is available free of charge from UBS FML upon request.