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Policy

Introduction

The Alternative Investment Fund Managers Directive (AIFMD) entered into force on 21 July 2011 and EU Member States have to implement the Directive into local law by 22 July 2013.

AIFMs within the scope of the AIFMD have to implement a remuneration policy that is consistent with and promote sound and effective risk management in accordance with the guidelines published by the European Securities and Markets Authority (ESMA) on 11 February 2013 (Remuneration Code), which restrict the structure and form of remuneration to certain categories of staff (Identified Staff).

The remuneration policy should aim to:

- ⌋ Align with the AIFM's business strategy, values and interests
- ⌋ Discourage excessive risk taking
- ⌋ Enable the AIFM to align the interests of investors and AIFs managed with the interests of the Identified Staff managing such AIFs

The rules defined by ESMA apply to legal persons whose regular business is managing one or more Alternative Investments Funds (AIF) falling under the scope of AIFM Directive:

- ⌋ European Union AIFMs managing AIFs
- ⌋ Non-European Union AIFMs managing EU AIFs
- ⌋ Non-European Union AIFMs that market AIFs to EU professional investors with a passport.

Similarly, the UCITS V regulations came into force in 2017 and the guidelines on sound remuneration defined by ESMA have been extended to UCITS regulated management companies and any non-European Union investment managers managing UCITS funds by delegation.

Scope Entity

Unigestion SA as Non-European Union Management Company is not directly bound by the AIFMD or the UCITS V regulations. However, the AIFM/UCITS V remuneration code extends to any entity to which portfolio management or risk management activities are delegated by management companies, which is the case for Unigestion SA in some cases.

The following remuneration policy and guidelines aim to be equally as effective rules than the Remuneration code and the ESMA guidelines on sound remuneration (the “Guideline”) and consequently to satisfy the necessary requirements related to delegated portfolio or risk management activities.

Proportionality and scope of the remuneration policy

The Remuneration code and the Guidelines allows companies to take into account the size, nature and scope of their activities in determining how to apply the remuneration policy.

As of today, Unigestion SA’s assets under management of AIFs and UCITS represent 80% of total assets under management.

Following this proportionality assessment, Unigestion SA resolved to comply with the principles of the Remuneration code and the Guidelines but when it comes to the variable compensation Pay-out Process Rules (as defined as the rules set by the remuneration Code and guidelines with respect to variable remuneration) to only apply them to the AIF and UCITS rendered services portion.

In addition, according to the letter of circumstances published by ESMA in 2016 (the “Letter”), it may be disproportionate to apply the full Guidelines requirements to relatively small amounts of variable remuneration and to apply certain requirements to certain staff when this would not result in an effective alignment of interests between the staff and the investors in the funds. Consequently, Unigestion SA resolved to set some differed variable remuneration thresholds.

Identified Staff

Management companies are responsible for identifying the persons impacted by the Directive and ESMA guidelines.

The Pay-out Process Rules do not need to be applied to staff of management companies, not influencing AIFs/UCITS (“investment funds”) or the company itself. Remuneration to staff performing mixed investment funds and mandates business may be apportioned and the rules only applied to the investment funds portion. Management companies should be able to demonstrate to authorities how they have classified their Identified staff.

Similarly, where risk management or portfolio management is delegated, the delegate need only put arrangements in place with respect to those staff of the delegate who have a material impact on the risk profiles of the relevant investment fund, and in respect of remuneration that is connected with the delegated activities.

Details of Unigestion SA’s Identified Staff can be asked on demand to the Human Resources department.

Unigestion SA Remuneration Policy

Remuneration Committee

Unigestion SA's Compensation Committee consists of 2 directors of the company.

The primary responsibilities of the Compensation Committee include:

- Designing, reviewing and recommending to the Board compensation policies and programs;
- Approving the employment terms of key executives when non dealt by the board of directors;
- Deciding on the total compensation of the Chief Executive Officer, the Deputy Chief Executive Officer, the members of the Executive Committee and other key executives for the past year;
- Deciding on incentive plans and rewards attributed to key executives.

Remuneration of Directors

Any remuneration for members of the Board of Directors is established on regular basis by the Group's Compensation Committee. This remuneration consists of a fixed annual amount to be paid on an annual basis.

The performance review system

The performance review process is a framework of dialogue between the manager and the employee to agree on Key Performance Indicators (KPIs), measurement of those KPIs, career management as well as Training & development. When defining KPI's the potential sustainability risks as defined by the Unigestion Risk Policy related to the KPI's are always taken into consideration.

There is two performance review each year; the annual performance review which is carried out between December and January and the mi-year performance review which is carried out between July and August.

The mid-year performance review is a lighter version than the annual one as this process aim to do a follow up on KPIs advancement.

Alignment with our values

This section focuses on our Values - Engagement, Conviction and Ownership - with written definitions for each of them to support common understanding.

There is no numerical rating on this section and employee can grade each of the values by selecting either "Meets expectations", "Partially meets expectations" or "Below expectations".

The aim is to be a framework of an open dialogue between the employee and his/her manager on his/her strengths and areas of improvement taking into perspective definition of each value.

Key Performance Indicators

Management and department heads establish detailed goals for each teams in the company based on the Strategic objectives set by the company. Achievement of these goals are measured by KPIs which are based on the company vision of success built on the following pillars;

- Performance and service delivered to clients,
- Sustainable growth for the company incl. sustainability / ESG risks,
- Contribution to Society.

Department heads then break down these KPIs for their team members. For each staff member tailor-made quantitative and / or qualitative KPIs have been added to reflect individual objectives or professional development. (i.e. adhoc projects, client presentation improvement, reporting quality etc.)

Items	Rate
Exceeded	4
Achieved	3
Partially Achieved	2
Not Achieved	1

To assess those KPIs a rate system in a drop down list allows 4 possibilities as indicated beside. Both employee and manager have free comment boxes to express their feedback and give more qualitative insight explaining the rate.

Fixed and variable remuneration

Employee remuneration is made up of fixed remuneration (i.e. base salary and benefits) and variable remuneration.

The remuneration review process takes place once a year, between December and February, just after the performance review process.

The Human Resources department in partnership with external consultants conduct each year specific remuneration studies to benchmark staff compensation against the market.

Fixed remuneration

On a case by case basis, fixed remuneration adjustments are made with specific evidence backed up with the salary survey.

Effective dates of new salaries following the compensation review are April.

Pay-out Process Rules with respect to variable remuneration

Variable remuneration is based on the following criteria:

- ∟ Unigestion Group's financial performance
- ∟ Performance of the employee and the results achieved from their fixed KPIs incl. sustainability risks
- ∟ Length of service and professional experience
- ∟ Results from the salary survey carried out by HR in relation to remuneration

When awarding a variable remuneration to Identified Staff, the qualitative and quantitative criteria are appropriately balanced. The decision to award variable remuneration in any given year and the amount of any such variable remuneration in any given year is at the absolute discretion of the company.

The award of a variable remuneration in respect of any one year does not create an entitlement to be considered for, or to be awarded, a variable remuneration in respect of any other year. The award of a variable remuneration of a particular amount

in one year does not create an entitlement to be considered for, or to be awarded, a variable remuneration of a similar amount in any other year.

The remuneration Code together with the Guidelines sets out the following Pay-out Process Rules for management companies:

1. At least 50% of any variable remuneration is payable in shares or unit of the investment funds or equivalent;
2. At least 40% of variable remuneration is deferred over at least three years, increasing to at least 60% in certain cases; and
3. Claw back and retention arrangements to align incentives with interests of investors.

At Unigestion, we have resolved to combine 1. and 2. as follows:

Variable remuneration is made up of (the “50/50% rule”):

- ↳ 50% in cash upfront; and
- ↳ 50% in units of the investment funds or equivalent, deferred over three years

In order to simplify the Pay-out Process Rules and in accordance with the Letter, any differed variable remuneration below CHF [50'000] (or currency equivalent) in any given year may be paid 100% in cash upfront. Indeed we consider that under this threshold the variable remuneration is not significant enough compared to the fixed remuneration. In addition, to ensure fairness amongst all Identified Staff, the first CHF [50'000] of differed variable compensation may be paid in cash up front as long as the differed variable remuneration remains greater than CHF [50'000].

Examples

Year 2019

AUM split:

% AUM in AIF & UCITS 80%
 % mandates (out of scope) 20%

Total variable remuneration:	100'000		200'000		500'000		1'000'000	
	Cash	Differed	Cash	Differed	Cash	Differed	Cash	Differed
Split in:								
out of scope (20%)	20'000		40'000		100'000		200'000	
50/50% rule on in scope (80%)	40'000	40'000	80'000	80'000	200'000	200'000	400'000	400'000
Under 50'000 test	40'000	yes		no		no		no
-50'000 fairness	n/a	n/a		30'000		150'000		350'000
Minimum Differed 50'000				no		yes		yes
Total	<u>100'000</u>	<u>0</u>	<u>150'000</u>	<u>50'000</u>	<u>350'000</u>	<u>150'000</u>	<u>650'000</u>	<u>350'000</u>
%	100%		75%	25%	70%	30%	65%	35%

Payment of cash upfront:

Is usually paid in March together with the monthly fixed remuneration instalment.

Payment in units of the investment funds or equivalent, deferred over three years:

As it is often not possible to provide the payment in units of specific AIFs as these can be closed or dedicated investment vehicles set up by clients for their exclusive use, the Identified Staff can choose another investment funds (UCITS or AIF) managed within a similar investment methodology by their team.

Transfer in kind or redemption in cash of the units is arranged after a 3 years vesting period.

Claw back and retention arrangements to align incentives with interests of investors:

The payment in units of the investment funds or equivalent, deferred over three years, is conditional and valid only if, after three years, the Identified Staff remains employed within the Unigestion Group. Consequently, we believe this in itself provides an automatic and adequate performance adjustment on the deferred variable remuneration for both cases of resignation and dismissal. It aligns differed variable remuneration with interests of investors.

Private Equity department Identified Carried interest arrangements

Identified Staff in the Private Equity department are entitled to Carried interest payment on regular basis. Unlike Carried interest payment usual structuring, the company pays Carried interest as variable remuneration through the regular pay/salary process and not as return of an private investment. Consequently, Carried interest payments are considered by the company as variable remuneration to be treated as such under the above-mentioned Pay-out Process Rules.

In addition, because Carried interest payments are due only under successful long-term specific performance achievements, the Company has considered them as differed variable remuneration payment in investment funds units, qualifying with the above-mentioned Pay-out Process Rules.

In order to demonstrate that over long term, the proportion of Carried interest payments (considered as differed variable remuneration payment in investment funds units) is complying with the above-mentioned 50/50% rules, the company will provide for the Compensation committee with supporting evidences on regular basis.

Guaranteed Bonus

It is the firm's policy not to offer a guaranteed bonus unless it is exceptional and in the context of hiring new staff and limited to the first year of service. Such buy-out awards will not be more generous either in amount or terms than that offered by the previous employer.

Procedure

The Human Resources department monitor the end-of-year compensation review and support department heads in defining their team remuneration strategy in a five-step process:

-  The HR team provides the Heads of Department with their team members' historical salary record, salary surveys and an annual guideline.
-  The Heads of Department then review this with their Line Managers regarding their teams. These meetings take place after the Line Managers have completed their Annual Performance reviews with their direct reports.
-  Heads of Department then send to HR their proposal and for each Head a meeting is organised to challenge and finalise their proposals.

- Finalised proposals are reviewed by the Group CEO, the Group Deputy CEO and the Head of HR. Then, meetings between them and each Head of department are organised to officially finalise and approve the proposals.
- Finally, the compensation of key executives is reviewed and approved by the Compensation Committee.

No individual is involved in decisions relating to his or her own remuneration.

Severance Payments

Should the firm decide to make a severance payment, it will reflect performance over time and will not reward failure.

Disclosure

Unigestion will disclose its remuneration policies at least annually through an independent remuneration policy statement.

The report contains will detail about:

- The total amount of remuneration for the financial past year and the split between fixed and variable remuneration, paid to the identified staff, the number of beneficiaries and where relevant, carried interest paid by the investment funds.
- The aggregate remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment funds.

The policy is accessible to staff members via the Unigestion Intranet.

This policy started applying for the calendar year 2014 and for any variable remuneration awarded in 2015 to Identified Staff. It has been updated on 19 December 2019 and 18 December 2020.