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1. Preliminary remarks

This remuneration report refers to the payments made to employees of Nordlux Vermögensmanagement S.A. (hereafter referred to as “Nordlux VM”). Nordlux VM is owned by RoLi Finanzholding S.a.r.l., which in turn is 99 % owned by the current board members of Nordlux VM.

The CSSF (Commission de Surveillance du Secteur Financier) in its circular 10/437 in conjunction with 11/505 (guidelines on remuneration policy) set out regulatory requirements for the remuneration of legal entities subject to the supervisory oversight of the CSSF.

One of the supervisory provisions requires financial institutions to document their remuneration policies and disclose information on such policies so that they become more transparent.

The remuneration principles of Nordlux VM are geared to ensuring responsible and sustainable behaviour by its employees. At the same time, the remuneration principles contribute to ensuring that the regulatory requirements of remuneration policy are complied with.

The company pays its employees a fixed salary, and, subject to fulfilment of certain requirements, a variable salary. The fixed and variable components of the pay are appropriately balanced and do not provide any incentives to enter into disproportionately high risks.

The ratio of variable to fixed pay has been set at a maximum of 100% the employees and Management Board. At the same time, the fixed remuneration represents the major proportion of total pay and is structured such that employees are not reliant on the variable remuneration in order to cover reasonable living costs.

2. Governance structure in relation to remuneration

The control functions (Head of Risk Management and Head of Compliance) were involved in the preparation of the remuneration principles. The Management Board of Nordlux VM prepared and adopted the remuneration principles. The remuneration principles were subsequently approved by the Supervisory Board of Nordlux VM.

Bonus volumes for Nordlux VM are approved by the Supervisory Board.

The Supervisory Board is responsible for

- verifying the appropriateness of the remuneration policies of Nordlux VM in consideration of the objectives anchored in the strategies.

- verifying compliance with, the structure of and the further development of the remuneration policies of Nordlux VM.
- checking the impact of the remuneration policies on the company's risk, capital and liquidity situation.

The Supervisory Board is supported by the internal control functions in these activities.

The Management Board of Nordlux VM is responsible for appropriately structuring the remuneration scheme. In addition to approving the remuneration principles for the company's employees, it is responsible for distributing the profit shares/bonus among individual employees and for annual budget planning for the variable and fixed components of employee remuneration.

The remuneration scheme of Nordlux VM is partly based on the collective agreement for banking staff in Luxembourg, the legal requirements concerning employment law and the company's internal remuneration principles. The conditions for employee pay are set down in written form in the contracts of employment.

The remuneration principles are reviewed annually by the Management Board and the internal control units with regard to updating requirements and submitted to the Supervisory Board for information purposes, or for approval if adjustments are made.

3. Remuneration system of employees covered by collective agreements, employees outside collective agreements, as well as the members of the Management Board

Fixed remuneration

The collective agreement for Luxembourg banking sector applies to a part of employees paid in line with a collective pay scale. According to this agreement, employees are grouped into pay scale groups based on their roles and paid in 12 monthly salaries a year, an loyalty bonus and a 13th monthly salary p.a. Another part of the employees receives the contractual benefits primarily on the basis of the legal requirements in Luxembourg, whereby the company also pays in most cases a 13th monthly salary on a voluntary basis as a salary component.

Salaries for non-pay-scale employees are agreed on an individual basis according to the activities performed by them. This salary is paid in 12 monthly salary payments. In addition, Nordlux VM pays some of the employees a car allowance as fixed remuneration; though this no longer applies to new hires.

Remuneration, particularly the remuneration of control units, is regularly reviewed for appropriateness in a cross-comparison within the company.

Variable remuneration

The level of variable remuneration is based for non-tariff paid employees on the individual objectives defined in the target agreement process. To avoid creating incentives to enter into disproportionately high risks the employee target agreements may not just define purely quantitative objectives. Qualitative targets also need to be defined. The variable remuneration is composed of a profit-related share which reflects the success of Nordlux VM and a bonus, which reflects the individual's own performance.

For the other employees, variable remuneration can also be paid that is not based on individually agreed goals and therefore has more of the character of a 14th month salary.

In the case of both collectively agreed and non-tariff employees, the possible payment of a performance-related remuneration (bonus/“Tantieme”) takes place on a discretionary basis.

The Management Board adopts bonus volumes for the relevant year subject to approval by the Supervisory Board, considering the company’s profits. This is to ensure that bonus payments do not jeopardise the adequate availability of equity and liquidity resources.

4. Remuneration system for members of the Management Board

For members of the Management Board, remuneration comprises an annual fixed salary and variable pay. The annual fixed salary is based on a contract of employment concluded between the company and the respective member of the Management Board. This salary is paid in 12 monthly salary payments. In addition, Nordlux VM pays members of its Management Board a car allowance which is viewed as fixed pay.

The contract of employment sets out a target figure for the variable pay. The Supervisory Board determines the amount of the variable pay based on the company's profits and the achievement of individually agreed targets.

As with company employees, the pensions of members of the Management Board are based on general valid guidelines which are not discretionary.

The Supervisory Board is responsible for concluding contracts of employment with members of the Management Board.

5. Important parameters of the rationale for payments of profit shares/bonuses

The following parameters are taken into account when determining the volume of the bonus payable:

- Ability of Nordlux VM to pay a dividend
- Equity situation of the company
- Risk-bearing capacity of Nordlux VM
- Liquidity situation of Nordlux VM
- Compatibility with the company's profit/loss
- Conduct of employees/Board members contributing to significant losses during the financial year
- Serious breach of employment obligations

Management Board of Nordlux Vermögensmanagement S.A.

Harry Rosenbaum

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