Remuneration Policy

Policy

Lumyna Investments Ltd.

For internal use only

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LUMYNA

1. Overview

Detailed herein are the remuneration policies and practices for Lumyna Investments Limited (the "Firm"). This policy is intended to illustrate how the Firm, authorised as a Full Scope UK Alternative Investment Firm ("AIFM") and UCITS manager, promotes sound and effective risk management in accordance with the AIFM Remuneration code set out in SYSC 19B of the Financial Conduct Authority ("FCA") handbook of rules of guidance and the UCITS Remuneration code set out in SYSC 19E of the FCA handbook.

The Firm manages the portfolios of a UCITS fund (the "UCITS") and an alternative investment fund(s) (the "AIF").

The Firm applies prudent risk management practices to its remuneration programs and is committed to a governance structure that effectively contributes to the Firm's overall risk management policies and promotes sound and effective risk management.

This policy has been approved by the Board of Directors of the Firm (the "Management Body").

2. Scope / Application

The general provisions of this policy will apply to all staff of the Firm with certain provisions applying only to those persons whose professional activities have a material impact on the risk profiles of the AIFM or the AIF(s) and UCITS it manages, otherwise known as "AIFM code staff" and "UCITS code staff" or "Material Risk Takers" respectively (together "Identified Staff")

Identified Staff are typically:

- senior management (including NEDs), control functions (i.e. staff responsible for compliance, risk and audit), business unit heads, risk takers (including portfolio managers);
- staff who provide portfolio management;
- staff who exert a material influence on the risk profile of the AIF, management company or UCITS; and
- any employee remunerated in the same bracket as the above.

A list of the Identified Staff together with the criteria that has been used to identify such staff is kept at the registered office of the Firm. This list and criteria are reviewed on an annual basis.

In the event that certain provisions of this policy have been deemed not to apply to any of the Identified Staff, the rationale for such disapplication of the policy shall also be kept with this list.

3. Governance and control functions

The Management Body, supported by its independent control functions, is committed to a compensation governance structure that effectively contributes to the Firm's broader risk management policies and risk appetite and is responsible for the implementation of this policy.

The Firm monitors fund performance against its own risk profile and will ensure that individual reward is linked to appropriate risk management practices and behaviours.

This policy will be reviewed on an annual basis by the Management Body or a delegated committee of the Management Body and the compliance function to ensure the Firm is complying with applicable regulatory requirements and to govern incentive compensation programs across the Firm. This policy is designed to be consistent with Group risk and regulatory initiatives so that compensation plans do not encourage excessive risk-taking.

Where possible the Firm will ensure that control functions are independent from the business units they oversee, have appropriate authority, and are remunerated according to the achievement of the objectives linked to their functions, independent of the performance of the business they control and are remunerated sufficiently in order to attract qualified and experienced staff.

The Firm's compliance officer and risk officer are not involved in the investment side of the business, they operate completely independently in day to day roles and may provide feedback directly to the Firm's Management Body. That body provides the chief compliance officer and chief risk officer with sufficient resources and access in order that duties can be fulfilled with both independent challenge and oversight. Where deemed necessary, the independent control functions will provide input or feedback on the applicable regulatory requirements.

The remuneration of the senior members of control functions is directly overseen by the Remuneration Committee.

The compensation of any independent control functions is determined independently from the line of business that they support. The funding of the incentive pool for these employees is based upon the overall performance of the Firm with the actual employee awards determined based upon individual performance against predetermined objectives.

4. Risk Management and Risk Tolerance

It is the Firm's policy to promote sound and effective risk management and discourage risk-taking that exceeds the level of risk tolerated by the Firm and the AIF/UCITS it manages.
As such the Firm maintains:

- Strong disclosure practices, which provide investors with the information they need to determine whether to invest in the Fund, monitor their investment and make a decision whether to redeem their investment based on the risk profile of the investment strategy.
- Robust valuation policies and procedures to provide for clear and consistent valuations of the investments in the Fund's portfolio, with independent oversight provided by the Fund's board or other governing body, third party administrators, independent auditors and expert valuation advisers, the latter particularly in the case of hard-to-value assets.
- Comprehensive and independent risk management processes to measure, monitor, report and manage risk, including stress testing of the portfolio and liquidity risk management.
- Sound operational and regulatory systems and controls.
- A strong culture of compliance sponsored by the Management Body with specific practices to address conflicts of interest.

Due to the nature of the market, and sensitivity of investors to both risk and performance, the Firm has determined that its offering is based on its ability to provide an agreed balance between risk and reward. This balance is to be respected in the Firm's risk management and remuneration policies.

5. Supporting business strategy and avoiding conflicts of interest

The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Firm, the AIF, the UCITS and their investors, and is designed to avoid conflicts of interest.

In order to adhere to the regulator's principles, the Firm is required to attract appropriate talent which creates a balance of people who take risk and those who can manage it. As such the Firm needs to provide some flexibility, have the ability to offer competitive terms and retain confidentiality in respect of some of the terms it introduces. However, these terms must be appropriate and respect the principles in this policy.

In line with its business objectives the Firm needs to manage its fixed costs against this background and ensure that its variable costs are only payable once actual performance targets are achieved.

The Firm considers all conflicts within its conflicts of interest policy and process. This requires the Firm to review potential conflicts of interest on a regular basis.

6. Assessment of performance

The Firm ensures that the assessment of performance is set in a multiyear framework appropriate to the life-cycle of the AIFs/UCITS managed by the Firm to ensure that:

1. the assessment process is based on longer term performance; and
2. the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs/UCITS it manages and their investment risks.

An annual assessment of individual performance is carried out and includes assessment of the individual's contribution to the financial performance of the AIFs, the UCITS, the Firm, and to the individual's business unit and the Firm's performance against its compliance policies and procedures.

The Firm ensures that it meets its capital resources requirements before variable remuneration is paid to employees, which includes a consideration of direct and indirect risks to the Firm and stress and scenario testing.

7. Remuneration structures – fixed and variable components of total remuneration

Fixed based remuneration, i.e. salary, is agreed at the point of hiring the individual and is in line with prevailing market conditions for the specific role. Salaries may be reviewed annually however salary is taken into account when allocating any variable component of remuneration to ensure that the total compensation of each individual is within appropriate limits. In deciding each individual's total compensation due regard is taken of an appropriate balance between fixed and variable remuneration with the fixed component representing a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components.

Variable remuneration is payable at the discretion of the Firm, is not guaranteed and may be zero.

Any guaranteed variable remuneration must only be paid in exceptional circumstances in the first year of engagement for new staff.

8. Remuneration structures – performance adjustment

Through the Firm's performance management process, employees understand performance expectations for their role through on-going dialogue with their line manager. This process is monitored by the Human Resources department and reviewed periodically. Each employee's performance is assessed on financial and non-financial metrics as well as specific behaviours, and performance is factored into each employee's incentive compensation award. Depending on the employee, financial performance metrics may be focused on corporate-wide, line of business or product results. Non-financial performance metrics may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to risk framework, operating principles and other core values of the Firm as well as individual contributions to the Firm. Any variable or deferred portion of an employee's remuneration may be cancelled in the case of detrimental conduct.

9. Remuneration structures - payments related to early termination

Any rewards pertaining to the early termination of a contract due to misconduct shall be carefully determined in accordance with the life cycle and best interests of the AIF(s) and UCITS the Firm manages and their underlying investors, the Firm and the staff member. Any such payments shall be reviewed by the Human Resources department and the Remuneration Committee.

Existing contractual payments in relation to the termination of employment must be reviewed to ensure that they are consistent with the general requirements of the AIFM and UCITS Remuneration Codes.

10. Remuneration structures – deferral for staff generally (identified and non-identified)

The Firm compensates its employees using a balanced mix of fixed remuneration, annual variable cash incentives and deferred incentives. The variable deferred incentives can be delivered in the form of equity, equity-linked instruments or cash. The Firm takes the approach that in general, the higher an employee's management level or amount of variable compensation award, the greater the proportion of variable compensation should be (i) subject to deferral and (ii) delivered in the form of equity-linked compensation. A portion of variable awards is provided as a deferred incentive that generally becomes earned and payable over a period of three years after being granted.

The Firm believes this approach serves two key objectives, which are to focus employees on long-term sustainable results and to subject compensation awards to risk over an appropriate time horizon that can be easily communicated and understood.

11. Remuneration of Identified Staff

Under the pay-out process rules, relevant Identified Staff will receive 50% of their annual variable compensation paid in cash and 50% in appropriate "instruments" such as fund units or "Fund Awards". Fund Awards shall be linked to the performance of funds managed by the Firm using a performance linked formula based on a weighted average of the NAVs of such funds. The value of Fund Awards is set on the relevant award date and is then valued on the relevant vesting date with the performance linked amount being paid out to the employee.

At least 40% of the variable remuneration awarded to an individual on the Identified Staff list will be deferred over a period of time which takes into account the life cycle and redemption policy of the UCITS or AIF in respect of which the individual provides services. Generally, it is expected that such deferral will be for a period of at least three years and shall vest no faster than on a pro-rata basis annually. In the case of a variable remuneration component over £500,000, at least 60% of the amount will be deferred.

The retention period applying to the holding of instruments following vesting shall be a period of 6 months, save that the individual may arrange for a sale of such number of instruments as is sufficient in order to realise funds to enable the individual to cover any liability for income tax or social security (or similar) contributions.

Taking account of the remuneration principles proportionality rule and FCA expectations, the rules relating to payment in instruments, deferral and performance adjustment may not be applied where in relation to the relevant Identified Staff ("X") both the following conditions are satisfied:

(a) Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and
(b) Condition 2 is that X's total remuneration is no more than £500,000.

12. Remuneration Committee

The Firm's remuneration policy and its application fosters proper governance and compliance with its regulatory obligations. The policy is subject to oversight by the Remuneration Committee. The Remuneration Committee is responsible for implementation of the remuneration policy and will be responsible for decisions regarding remuneration, including those which have implications for the risk management of the Firm or the funds which it manages. The committee is composed of members (including board members) that oversee the firm's compensation arrangements on an ongoing basis and is constituted in a way that enables it to exercise its judgement and demonstrate its ability to make decisions which are consistent with the current and future financial status of the business.

Key oversight responsibilities include:

- Reviewing the firm's remuneration policies and practices as they relate to risk, control and conduct;
- Ensuring that performance related compensation arrangements support business strategy and provide an appropriate challenging balance between risk and reward;
- Taking account of legislation, regulation, guidance and recommendations relating to remuneration and corporate governance; and
- Ensuring that the firm fosters a culture that is inclusive and that strives for diversity and gender equality in its hiring and remuneration practices.

13. Malus and Clawback

To the extent required by the applicable rules and regulations, variable remuneration is subject to malus and clawback, and therefore can be reduced, forfeited or recovered from any individual in appropriate circumstances which include, inter alia, where:

- there is evidence of misbehavior or serious error by the relevant individual;
- the individual's individual or business conduct is considered by the Firm to be detrimental;
- the relevant Fund(s)/AIF(s) and/or relevant ManCo/business unit and/or relevant business line subsequently suffer a significant downturn in financial performance;
- the relevant Fund(s)/AIF(s) and/or relevant ManCo/business unit and/or relevant business line in which the individual works suffers a significant failure of risk management;
- there are significant changes in the relevant ManCo's/ business unit's overall financial situation; or
- there is evidence that the relevant individual has been involved in a breach of any law, regulatory guideline or internal policy or procedure.

Subject to compliance with local labour laws, clawback can be applied to paid awards up to a period of 12 months following the payment date or longer in the event of an ongoing internal or regulatory investigation.

Clawback will also apply to variable remuneration which is paid in the form of pension benefits, if any.

14. Delegation

Where the Firm delegates investment management activities to external service providers, the Firm ensures that the entity to which investment management activities have been delegated either provides representations that it is subject to remuneration regulatory requirements that are equally as effective as those applicable under the ESMA UCITS Guidelines or appropriate contractual arrangements are put in place with the entity in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA UCITS Guidelines.

15. Personal Hedging Strategies

Employees are not permitted to use personal hedging strategies or remuneration and liability related insurance for the purposes of undermining the risk alignment effects embedded in the non-cash portion of their remuneration arrangements.

Identified Staff are required to undertake that they will not use such personal hedging strategies. Breach of this undertaking and/or the use of such personal hedging strategies may constitute gross misconduct and will render the individual liable to summary dismissal, without notice or payment in lieu.

16. Severance Pay

Severance pay may be paid at the Firm's discretion. Any payments related to early termination of contracts will reflect performance achieved over time and will be designed in a way which does not reward failure.

17. Pensions

The pension arrangements, if any, offered by the Firm will be in line with the Firm's business strategy, objectives, values and long-term interests. The Firm does not currently grant discretionary pension benefits.

18. Equality and Diversity

The Firm acknowledges that it has statutory duties in relation to equal pay and non-discrimination and is committed to complying with those duties in relation to its remuneration.

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