

UBS Fund Management (Luxembourg) S.A.

Registered Office: 33A avenue J.F. Kennedy, B.P. 91, L-2010 Luxembourg
Registre de commerce: Luxembourg B 154.210

Main principles of the remuneration policy

1. Overview

This document sets out the principles governing the remuneration and compensation framework of UBS Fund Management (Luxembourg) S.A., which are described under its remuneration policy (the **Policy**) whose objectives are:

- 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**)/Alternative Investment Funds (**AIFs**) managed, and to comply with the UBS business strategy, objectives, values and interests, including measures to avoid conflicts of interests, as stated under the UBS 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 Articles 111bis and 111ter of the Luxembourg Law of 17 December 2010 on undertakings for collective investment as amended from time to time (the **UCITS Law**) transposing the UCITS Directive 2014/91/EU (the **UCITS V Directive**), (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, (iii) the ESMA's guidelines on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 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.

The Board of Directors of UBS Fund Management (Luxembourg) S.A. has updated the policy on 09-03-2016.

The Policy applies to all UBS employees of Management Companies domiciled in Luxembourg.

All employees of the UBS Group are subject to the UBS Group compensation framework, a framework for the compensation decisions and compensation programs across the organization that balance performance with prudent risk-taking.

The principles focus on amongst others, sound governance and strong risk awareness. Further, they build on UBS's guiding principles of client focus, excellence and sustainable performance and give full effect to relevant regulatory requirements in jurisdictions where UBS operates.

2. Calculation of remuneration and benefits

The remuneration of all staff members of UBS Fund Management (Luxembourg) S.A. consists of the following components:

- The fixed component of the remuneration represents a sufficient high proportion of the total remuneration and allows a fully flexible bonus strategy, including the possibility to pay no variable remuneration component. The fixed remuneration is determined by taking into consideration the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is also to be noted that the company may, on its own discretion, offer fringe benefits to some employees which are an integral component of the fixed remuneration;
- 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 the company. Without prejudice to the general principles of national contract and labor law, the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance occurs or where economic state of the company has deteriorated significantly. Moreover, the assessment of individual performance is taking into consideration quantitative (financial) and qualitative (non- financial) criteria.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in UBS Fund Management (Luxembourg) S.A. the professional activity as well as the local market practices.

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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 labor 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 remuneration, and liability, related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Variable remuneration is not paid through vehicles or methods that facilitate the non-compliance with the regulatory provisions laid down under the UCITS and AIFM Laws.

It is to be noted that the 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

As foreseen under the ESMA guidelines, UBS Fund Management (Luxembourg) S.A. may invoke the proportionality principle at the level of the Management Company/AIFM, given its size, internal organization and nature of its business model.

By applying the principles of proportionality, the following criteria are neutralized:

- the payment of the variable remuneration in units or shares, equivalent ownership interests or share-linked instruments or equivalent non-cash instruments;
- the deferral requirements;
- the retention requirements; and
- the incorporation of ex-post risk factors (i.e. malus or clawback arrangements).

4. Organs responsible for the award of remuneration and benefits

In order to ensure a coherent approach throughout the UBS Luxembourg entities, a Luxembourg Remuneration Committee is organized at the level of the Luxembourg Executive Committee. The Remuneration Committee which is constituted in a way that enables it to exercise competent and independent judgment on the remuneration policies and practices and the incentives created for managing risks.

The Remuneration Committee is also responsible for:

- developing the remuneration strategy in line with the principles defined under the policy;
- proposing to the Board of Directors of UBS Fund Management (Luxembourg) S.A. the principles and design of remuneration plans;
- informing the Board of Directors of UBS Fund Management (Luxembourg) S.A. about policies, programs and key recommendations as well as statistical comparisons of remuneration levels of key competitors;
- informing the Board of Directors of UBS Fund Management (Luxembourg) S.A. on the recommendations taken with respect to remuneration principles and provisions set forth under the policy;
- reviewing and reassessing the adequacy of this policy at least annually and submit proposed changes to the Board of Directors of UBS Fund Management (Luxembourg) S.A.;
- prepare its recommendations taking into account the long-term interests of shareholders, investors and other stakeholders; and
- conducting an annual self-evaluation of the Remuneration Committee's performance.

5. Review and amendment

The remuneration and compensation framework is reviewed at least on a yearly basis and subject to approval by the Board of Directors UBS Fund Management (Luxembourg) S.A.

The implementation of the Policy is also subject to an annual review by the internal control functions of the UBS Fund Management (Luxembourg) S.A. and by the Remuneration Committee.