



EDMOND  
DE ROTHSCHILD

# REMUNERATION POLICY

EDMOND DE ROTHSCHILD PRIVATE EQUITY LUXEMBOURG S.A.

**MARCH 2022**



EDMOND DE ROTHSCHILD PRIVATE EQUITY LUXEMBOURG S.A.

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## DEFINITIONS

Term	Definition
AIF	Alternative Investment Fund
AIFM	Edmond de Rothschild Private Equity Luxembourg S.A..
AIFM Law	The Luxembourg law of 12 July 2013 on alternative investment fund managers
Board of Directors / Board	Mr Johnny el Hachem, Mr Bernard Herman, Mr Daniel Van Hove, Mr François Xavier Vucekovic; and Mr Geoffroy Linard de Guertechin.
CSSF	Commission de Surveillance du Secteur Financier
CDR	Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012
Senior Management / Senior Managers	Mr Johnny el Hachem, Mr François-Xavier Collin, Mr Olivier Michelin and Mr Matthieu Vercruysse, acting as the persons in charge of conducting, monitoring and supervising the activities and the business of the AIFM
Remuneration	Form of payment or benefits paid by the AIFM, any amount paid by the AIF(s) itself, including carried interest and any transfer of units of shares of the AIF(s), including any salary or any other type of remuneration, financial privileges as well as any contractual or discretionary compensation for termination of an employment contract or discretionary pension benefits received by an Identified Staff.
Risk Takers	Staff members whose professional activities – either individually or collectively, as members of a unit or department of the AIFM – can exert material influence on the AIFM’s risk profile or the AIF(s), including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the AIFM or the AIF(s)
Sustainability (ESG) risks	This risk is defined as an environmental, social or governance event or situation which, if it occurs, could have a material adverse effect, actual or potential, on the value of an investment made by an AIF.
Variable Remuneration	Remuneration in form of additional payments or benefits depending on performance or in certain cases on other contractual criteria.

## 1. PURPOSE AND BACKGROUND

### 1.1 OBJECTIVE

The objective of the present Remuneration Policy is to set the principles and practices for the allocation of any Remuneration to any Identified Staff which are consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the AIFs, in accordance with article 12 and annex II of the AIFM Law. In accordance with the requirements of article 5 of Regulation EU 2019/2088 on Sustainability-related disclosures in the financial services sector (“SFDR”), this document includes information in relation with the integration of sustainability (ESG) risks.

### 1.2 IDENTIFIED STAFF

The Remuneration Policy will apply to the following identified staff (within the meaning of the “ESMA Guidelines on sound remuneration policies under AIFMD” of 3 March 2013, ESMA/2013/232) (the “**Identified Staff**”) and following the requirements disclosed in section 5.5.9. of the CSSF Circular 18/698:

- ▶ The members of the Board;
- ▶ The Senior Managers;
- ▶ Risk Takers provided such persons (i) receive a total remuneration that takes them into the same remuneration bracket as senior management and (ii) carry out professional activities which have a material impact on the AIFM’s risk profile or the AIF(s)’ risk profiles;
- ▶ Any member of the staff whose Remuneration is comprised in the same range as the Senior Managers, Risk Takers and whose professional activities have a material impact on the risk profile of the AIFM or the AIF(s).

## 2. APPLICATION OF THE PROPORTIONALITY PRINCIPLE

### 2.1 INTERNAL ORGANISATION

The AIFM, incorporated under the form of a *société anonyme*, has implemented basic internal governance, with five Board Members and four Senior Managers; and neither the AIFM nor the AIFs are listed on a regulated market

### 2.2 NATURE, SCOPE AND COMPLEXITY OF THE ACTIVITIES OF THE AIFM

In accordance with Annex II of the AIFM Law, and considering its size, its internal organization, the nature, the scope and the complexity of its business activities, the AIFM has considered the following qualitative criteria inherent to the AIFM and to the AIFs to justify the application or not of the principle of proportionality.

#### AIFM:

- ▶ The remuneration of the AIFM is contractually linked to the commitment of the AIFs managed by the AIFM during their investment phase, to the acquisition cost of the

investments after the end of the investment period<sup>1</sup> and to their deployment, thus not directly tied to the annual performance of the funds<sup>2</sup>. It is therefore not possible for the AIFM to artificially increase its annual performance for remuneration purposes.

- ▶ The AIFM does not manage UCITS funds and is not involved in discretionary portfolio management activity.

### AIFs:

The type of AIFs under management involves a stable and known stream of revenues. This is mainly explained by the fact that:

- ▶ The AIFs are closed-ended vehicles with no redemption rights;
- ▶ The period between the entry and the exit can last up to 10-12 years.

As a consequence and given that this limit has never been exceeded, the AIFM does not need to meet the requirements relating to:

- ▶ Variable remuneration in instruments;
- ▶ Retention;
- ▶ Deferral;
- ▶ Ex-post incorporation of risk for variable remuneration.

However, the Board of the AIFM has decided not to apply the principle of proportionality should the annual variable remuneration for Identified Staff Members exceeds EUR 100'000. This quantitative criterion is based on the criteria issued by the CSSF, as described in the CSSF Circular 11/505 on credit institutions.

## 3. UNDERLYING PRINCIPLES OF REMUNERATION

### 3.1 GENDER EQUALITY

The AIFM undertakes to draw up, put in place and maintain remuneration policies, procedures and practices that ensure equal pay between men and women for equal work or work of equal value, where they have equivalent skills, qualifications and experience.

As such, the AIFM's practices are as follows:

- ▶ The salary upon hiring is calculated based on the employee's skills, qualifications and experience. Under no circumstances may the employee's gender be a factor in determining remuneration;
- ▶ As part of annual pay reviews, the guidelines on determining fixed and variable remuneration systematically stress the importance and attention to be given to gender equality in this process;
- ▶ Employees, their managers and the EdR Group Human Resources Filière are the key players in these processes, and their roles and responsibilities are clearly defined so that decisions are taken in an objective, fair and transparent manner;

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<sup>1</sup> The computation method of the remuneration of the AIFM after the end of the investment period may differ from this scheme but by no means consists in the indexation of the fees on the performance of the AIFs

<sup>2</sup> Except for the feeder fund Edmond de Rothschild PE Partnerships, a Cayman Trust for which the AIFM Fee is equal to a percentage of the Net Asset Value. However, the value of its portfolio is directly linked to the value of the Master Fund it committed in and the performance of low volatility instruments such as Money Market Funds for the part of its commitment remaining uncalled by the Master Fund. The amount of this AIFM Fee charged in relation with Edmond de Rothschild PE Partnerships does not represent a significant part of the AIFM's revenues.

- ▶ In order to support this commitment to fairness within our governance procedures, statistics on salary increases and variable remuneration by gender are computed by the EdR Group Human Resources Filière.

### 3.2 REMUNERATION OF IDENTIFIED STAFF

The design of the Remuneration system is consistent with the objectives set out in the AIFM's strategy and lies in:

- ▶ a proper balance of Variable and Fixed Remuneration, which the Board has the responsibility to ensure, in order to allow the AIFM to practice a fully flexible bonus policy, including the possibility to pay no Variable Remuneration;
- ▶ the measurement of the performance which includes ESG objectives.

The underlying principles of the Remuneration of Identified Staff can be summarized as follows:

- ▶ stimulating the performance and the development of the Identified Staff while avoiding to lead to situations that are inconsistent with sound and effective risk management or that would encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the AIF(s);
- ▶ aligning the interests of the AIF(s) and their investors with those of the Identified Staff;
- ▶ offering global remuneration perspectives to the Identified Staff in order to attract, conserve, motivate and reward valuable and essential Identified Staff;
- ▶ focusing on key success factors for the development of the AIFM, respecting the AIFM's short, medium and long-term interests;
- ▶ implementing a sound management governance, which strictly complies with the procedures, internal rules, social and labour legislation and the regulations of the financial sectors.

The Remuneration of the Identified Staff is composed of a Fixed Remuneration and, as the case may be, a Variable Remuneration.

The Identified Staff are required not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk-alignment effects embedded in their remuneration arrangements.

Payments related to the early termination of a contract will reflect performance achieved over time and will be designed in a way that does not reward failure or underperformance of an Identified Staff.

### 3.3 FIXED REMUNERATION

The Fixed Remuneration of any Identified Staff is determined according to his / her function and skill set (education / training and experience) as well as the workload of the tasks he / she accomplishes within the AIFM.

It is subject to annual reassessment and adjustment, if appropriate, by the Board of Directors. Review of remuneration (fixed and variable) by the Board will generally be delegated to one of its members. The Remuneration is paid monthly.

In addition to this basic Fixed Remuneration, the AIFM may offer the following benefits to its employees, including Identified Staff:

- ▶ Pension plan (pension, death, invalidity);
- ▶ Complementary medical insurance;
- ▶ Car policy;
- ▶ Mobile phone; and
- ▶ Lunch vouchers.

## 3.4 VARIABLE REMUNERATION

### 3.4.1 PRINCIPLES OF THE VARIABLE REMUNERATION

The following principles shall apply to Variable Remuneration:

- ▶ Variable Remuneration shall be paid directly to the Identified Staff or to a structure which is under the control of the Identified Staff. The AIFM shall ensure that Variable Remuneration is not paid through vehicles or methods that facilitate the avoidance of the principles set out in the AIFMD and the AIFM Law;
- ▶ Variable Remuneration aligns the success of the platform managed by the AIFM and is designed to take a long-term view of the development of the platform managed by the AIFM;
- ▶ Variable Remuneration shall be paid or vested only if it is sustainable according to the financial situation of the AIFM as a whole and justified in accordance with the performance of the AIF, of the business unit of the Identified Staff, and of the Identified Staff;
- ▶ The Board shall contract the Variable Remuneration where subdued or negative financial performance of the AIFM or the AIF(s) occurs. In particular, the AIFM shall withhold annual bonuses entirely or partly when the performance criteria are not met by the concerned Identified Staff, the business unit of the Identified Staff or the AIFM as a whole. The AIFM shall also be able to withhold annual bonuses where its situation deteriorates significantly, in particular where it can no longer be presumed that it can or will continue to be able to carry out its business as a going concern;
- ▶ The AIFM shall commit to pay Variable Remuneration unconditionally only if there is a strong enough argument for it and provided that the promised Variable Remuneration is limited to the first year of employment of the recipient and subject to the prior approval of the Board;
- ▶ The Variable Remuneration and the Fixed Remuneration shall be appropriately balanced. In this respect, the Variable Remuneration shall not exceed fifty per cent (50%) of the total Remuneration perceived by Identified Staff.

### 3.4.2 DETERMINATION OF THE VARIABLE REMUNERATION

The AIFM has a performance-based culture and, as such, rewards its employees through Variable Remuneration, in order to attract, retain and motivate its staff without encouraging inappropriate risk-taking.

As part of its sustainability risk management, the AIFM sets ESG objectives for the employees concerned, i.e. mainly to material risk takers. In addition, a common risk and compliance objective for all employees is evaluated separately for each employee. This objective benefits from a minimum weighting of 20% set for all employees, and may go beyond at the discretion of the manager of the Identified Staff or of the Board

All Identified Staff employed by the AIFM shall be subject to an individual performance appraisal process performed every year by the Board, which shall be taken into account in order to determine the Variable Remuneration.

Therefore, the Variable Remuneration shall take the form of an annual discretionary bonus<sup>3</sup> which will reward the excellence performance of any Identified Staff and which align the success of the AIFM and the AIF(s) with that of the Identified Staff. The annual discretionary bonus may (partially) be paid under the form of a *prime participative*<sup>4</sup> in accordance with the applicable legal provisions in Luxembourg.

The following factors will be considered by the Board to determine the amount of the annual bonus:

- ▶ the individual performance of the concerned Identified Staff, taking into account economic, management, ESG and ethical objectives as well as behaviour components;
- ▶ the operational and financial performance of the AIFM, the Group and the AIF(s) over the relevant period;
- ▶ the level of the base salary compared to market standards.

However, with respect to staff of the AIFM engaged in control functions and, more particularly, the Risk Manager and the Compliance Officer, any Variable Remuneration, as the case may be, shall be paid taking into account the achievement of the objectives linked to their functions, independent from the performance of the business areas subject to their control.

## 4 CARRIED INTEREST SCHEME

Should there be any entitlement to carried interest or AIF(s) performance linked remuneration allocated to any Identified Staff, such entitlement will be paid out according to a distribution policy typically used in private equity funds. This means that investors receive the amounts invested and when applicable a preferred return (until hurdle rate) before the carried interest holder is entitled to receive carried interest.

In the event carried interest holders have received carried interest distributions in excess of what they should have received according to the distribution / waterfall policy, there is a readjustment whereby the surplus carried interest is distributed back to the corresponding AIF.

Such carried interest scheme will always be determined according to market practices, in order to align the interests of the carried interest holders with those of the investors of the AIF(s).

Such participating shares do not bear redemption rights, thus permitting to ensure that:

- ▶ the assessment of performance is set in a multi-year plan linked to the life-cycle of the AIF(s);
- ▶ the assessment of performance is based on long-term performance; and
- ▶ the remuneration scheme promotes sound and effective risk management and do not encourage excessive risk taking.

The carried interest is:

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<sup>3</sup> This discretionary bonus may be partially paid through the EdR Group's Employee Share Plan which includes vesting provisions

<sup>4</sup> As defined in the Law of 19 December 2020 as amended from time to time



- ▶ determined according to market practice;
- ▶ calculated on a global basis (not deal by deal);
- ▶ paid after realisation of the investments of the AIF;
- ▶ paid after payment to the investors of the AIF of an amount equal to (i) their aggregate funded commitments and when applicable (ii) a preferred return per annum, compounded annually, on their aggregate funded commitments to the date of such payment; and
- ▶ disclosed in the placement memorandum of the AIF(s).

Entitlement to AIF(s)' performance linked remuneration may be also be done through an EdR Group's Employee Share Plan which includes vesting provisions and which provides similar alignment of interest features to carried interest scheme described in this section.

Entitlement to a carried interest scheme or a Group's Employee Share Plan will be proposed by the Board of Directors and subject to the approval of the EdR Group Human Resources *Filière*. The Board's proposal will generally be delegated to one of its members.

## 5 PENSION POLICY

Identified Staff or any employee of the AIFM shall not be entitled to benefit from a discretionary pension benefit. Employees of the AIFM benefit from a pension plan (pension, death, invalidity) outsourced to Baloise Assurances Luxembourg.

## 6 SUPERVISION AND REVIEW OF THE REMUNERATION POLICY

### 6.1 ABSENCE OF REMUNERATION COMMITTEE AND SUPERVISION FROM THE EDR GROUP

With regard to the proportionality principle and given the size of the organization of the AIFM as further explained above in paragraph 3 of the present Remuneration Policy, the AIFM has decided not to establish a remuneration committee to foresee and manage the Remuneration Policy.

The Board shall review whether a remuneration committee will be reasonable to be established in the future taken into consideration the potential need and the changes in the organization and the staff of the AIFM.

The EdR Group has implemented a Human Resources *Filière* which is in charge of the coordination of the Human Resources Policies and Processes. This *Filière* is involved in the performance review and remuneration processes.

### 6.2 REVIEW OF THE REMUNERATION POLICY

The Board will yearly approve, review and update, as necessary, the present Remuneration Policy. The Board is also responsible for implementing the Remuneration Policy and overseeing the global budget of the AIFM, including Remunerations.

The Compliance Officer will monitor, as part of its compliance function, on a regular basis and at least yearly, that the remuneration policies, principles and decisions set by the Board have been followed and that the Remuneration Policy is consistently implemented.

The Compliance Officer shall maintain a record of the personnel eligible for a Variable Remuneration set in article 2.2 of the present Remuneration Policy and the Remuneration paid to them yearly.

## 7 DISCLOSURE

The Remuneration Policy is part of the AIFM's policies and procedures and as such the main principles are available to all staff of the AIFM. Furthermore, the Remuneration Policy is also published on the website of the AIFM.

## 8 REMUNERATION TABLE

### 8.1 MEMBERS OF THE BOARD

- ▶ Board members that are part of the EdR Group are not entitled to Remuneration in connection with their function as Board member of the AIFM.
- ▶ The other Board members of the AIFM are entitled to remuneration. This remuneration is:
  - set out in the compensation agreement entered into respectively between the AIFM and Orionis Management S.A. with respect to Mr Daniel Van Hove; or
  - approved annually by the Annual General Meeting of the shareholder(s) of the AIFM with respect to Mr Bernard Herman and Mr Geoffroy Linard.

### 8.2 THE SENIOR MANAGERS

- ▶ Edmond de Rothschild (Suisse) S.A. (“**EdRS**”) and Edmond de Rothschild Private Equity (France) (“**EdR PE FR**”) have designated one member of its personnel to be Senior Managers of the AIFM through intercompany support services agreements. They will receive no direct Remuneration from the AIFM. Services rendered by EdRS and EdR PE FR to the AIFM and related fees are described in the intercompany support services agreements between these companies. The contract foresees that the fixed annual fee invoiced by EdRS and EdR PE FR to the AIFM in the context of the intercompany support services agreement will be subject to an annual review depending on the business evolution of the AIFM and work it will generate in the context of the intercompany support services agreement.
- ▶ Mr Matthieu Vercruysse, the Senior Manager in charge of portfolio management, is employed by the AIFM and may receive Variable Remuneration as stipulated in his employment contract and in this Remuneration Policy.
- ▶ Mr François-Xavier Collin, the Senior Manager in charge of risk management and compliance, is employed by the AIFM and may receive Variable Remuneration as stipulated in his employment contract and in this Remuneration Policy and paid taking into account the achievement of the objectives linked to his functions, independent from the performance of the operational and financial performance of the AIF(s).

### 8.3 STAFF OF THE AIFM

Except for Mrs Marilyne Requier and Mr Dorian Retali, the other employees of the AIFM are in charge of support functions and do not have a material impact on the risk profiles of the AIFM or of the AIF(s).

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