# MV Credit S.à r.l.

# Remuneration Policy

History

| Version | Release Date | Description | Amended by | Reviewed by | Approved |
|---|---|---|---|---|---|
| V1 | **/**/** | Initial policy | | EC | AIFM Board 17/02/2022 |
| V2 | 04.11.2022 | Periodic review | S. Bortolazzi | | |
| V2 | 14.12.2022 | Periodic review following Internal Audit report from Natixis | HACA Partners | | AIFM Board 06/01/2023 |

Appendices

| Reference | Description | Amended by | Reviewed by |
|---|---|---|---|
| Annex I | List of the Identified Staff/ Relevant Persons as of 31.10.2022 | S. Bortolazzi | |
| Annex II | Analysis with respect to the application of the proportionality principle | TBD | |
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# Table of Contents

# 1. Glossary

| Term | Description |
|---|---|
| **MV Credit S.A. / the Company** | MV Credit S.à r.l. |
| **AIF** | Alternative Investment Fund |
| **AIFM** | Alternative Investment Fund Manager |
| **AIFM Law** | Luxembourg Law of the 12 July 2013 on AIFMs |
| **Board** | Board of Managers of the Company |
| **Control Functions** | Staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within the Company (e.g. the CFO to the extent that he/she is responsible for the preparation of the financial statements) |
| **Delegate** | Entity to which portfolio management activities have been delegated by the Company |
| **Funds** | AIFs for which the Company acts as AIFM |
| **Identified Staff** | Categories of staff, including Senior Management, risk takers, Control Functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Company's risk profile or the risk profiles of the funds that it manages and categories of staff of the entity to which portfolio management has been delegated by the Company, whose professional activities have a material impact on the risk profiles of the funds that the Company manages.<br>In determining whether persons are Identified Staff by virtue of their professional activities having a material impact on the risk profile of the Company or of the funds it manages, the determination shall take into account the level of influence that those persons 'professional activities have on environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of investments made by the Company by the funds it manages ("sustainability risk"). |

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| **Relevant Persons** | Relevant Persons are defined as "persons who can have a material impact on the service provided and/or corporate behaviour of the Company, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons who oversee the sales force (such as line managers) who may be incentivised to pressurise sales staff, or financial analysts whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development are other examples of 'relevant persons'." ESMA is of the view that senior management individuals could be Relevant Persons if they are capable of creating inappropriate incentives to act against the best interests of clients. "Relevant persons" are, thus, staff who, directly or indirectly, engage with Company's clients. |
| **Policy** | The present remuneration policy |
| **Senior Management** | The persons responsible for the management of the professional, authorised by the CSSF, also known as "authorised management" or "conducting officers" |
| **Staff** | Any employee of the Company or any person being paid directly or indirectly by the Company or the Funds |

## 2. Applicable regulations

| Term | Description |
|---|---|
| **Law** | AIFM Law |
| **MiFID Rules** | Delegated Regulation (EU) 2017/565 (MiFID II implementing measures) of 25 April 2016 supplementing Directive 2014/65/EU as regards organizational requirements and operating conditions for investment firms and defined terms for the purpose of that Directive |
| **Guidelines** | Guidelines on sound remuneration policies under AIFMD (ESMA/2013/232 and ESMA/2016/5799)<br>Guidelines on sound remuneration policies under MiFID (ESMA/2013/606) |
| **SFDR** | Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector |
| **Q&A** | ESMA Questions and answers on the application of the AIFMD (ESMA34-32-352) |

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| **CSSF Circulars** | CSSF 22/797 "1) Application of the Guidelines of the European Banking Authority on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) 2) Repeal of Circulars CSSF 17/658 and CSSF 11/505";<br>CSSF 15/622 "Higher ratio notification procedure applicable to remuneration policy according to Article 94(1)(g)(ii) of Directive 2013/36/EU ("CRD IV") following its transposition into Luxembourg law via Article 19(7°)(g) of the law of 23 July 2015 (the "Law")";<br>CSSF 10/497 "Amendments to Circular CSSF 07/290 defining capital ratios pursuant to Article 56 of the amended Law of 5 April 1993 on the financial sector, as amended: Transposition of Directive 2010/76/EU of the European Parliament and of the Council";<br>CSSF 10/437 "Guidelines concerning the remuneration policies in the financial sector". |

## 3. Purpose and scope of the Policy

**MV Credit S.à.r.l (including its branch in France)** (hereinafter referred to as the « **Company** ») is regulated by the *Commission de Surveillance du Secteur Financier* ( the « CSSF ») to act as Alternative Investment Fund Manager in accordance with the Chapter 2 of the AIFM Law and authorized to provide the services activities of UCI management and management of investments on a discretionary, client-by-client basis as referred to in Article 5(4) of the AIFM Law (hereinafter referred as « **Add-on MiFID services** »).

As part of a group the Company has taken into account and adheres to group-wide general principles.

According to the AIFM Law, the Company is required to establish and implement a remuneration policy which is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, management regulations or instruments of incorporation of the funds it manages. The Remuneration Policy is consistent with the Company's risk management objectives and does not encourage risk taking and promotes a risk-averse culture.

Furthermore, the MIFID Rules and Guidelines apply only to the provision by the Company of services that do not amount to management of AIFs; that is, Add-On MIFID Services listed in Article 5(4) of the AIFM Law, including separate account discretionary management. The MIFID Rules and Guidelines are designed to ensure improved implementation of MIFID conflicts of interest and conduct of business requirements and require firms to design remuneration policies and practices so as to minimise client conflicts and avoid incentives that may lead to "relevant persons" acting in ways that are detrimental to the Company's clients. They do not impose specific guidelines in relation to non-cash remuneration or deferral or retention of remuneration. While the MIFID Rules and Guidelines address situations where services are provided to retail clients, they should also be applied, to the extent that they are relevant, when services are provided to professional clients.

The Policy and the subsequent measures provide principles and guidelines which aim at ensuring that:

- The Company's remuneration policy is in line with the business strategy, objectives, values and interests of the Company and the Funds or the investors of such Funds, and includes measures to avoid conflicts of interest;

- The Staff members are appropriately compensated for the services rendered to the Company;

- The Staff members are motivated to perform on the best interests of the Company and the Funds; and
- Remuneration is determined with a view to ensure equity and consistency across the Company and compliance with regulations and law applicable to the contest in which the Company operates.

The Policy concerns all forms of remuneration consisting of:

- payments and benefits paid by the Company;

- any amount paid by the Funds themselves, including carried interests if any; and

- any transfer of units or shares of the Funds; in exchange for professional services

  rendered by the Staff of the Company.

## 4. Proportionality principle

In applying the principles in the AIFM Law, a firm is required to comply in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. This allows the principles to be applied in a proportionate manner by reference to these factors.

The Guidelines also recognise that, on a fact specific basis, certain of the AIFM Law remuneration requirements can be disapplied altogether if it is proportionate to do so, such as the 'pay-out process 'requirements, namely:

- the payment of variable remuneration in non-cash instruments;

- deferral of variable remuneration[1];

- retention of non-cash remuneration; and

[1] In case of deferral a substantial portion (at least 40 %, of the variable remuneration component except in case of a particularly high amount, at least 60 % of the amount is deferred), is deferred over a period (at least three to five years unless the life cycle of the AIF concerned is shorter ) which is appropriate in view of the life cycle and redemption policy of the AIF concerned and is correctly aligned with the nature of the risks of the AIF in question.

- ex post performance adjustment of variable remuneration.

In addition, the requirement to establish a remuneration committee can also be disapplied on the basis of proportionality.

Proportionality is to be assessed by reference to the size of the Company and the size of AIFs that the AIFM has under management, the internal organisation of the firm and the nature, scope and complexity of the Company's activities.

The AIFM Law is aimed at ensuring effective risk management and the avoidance of risk-taking that is inconsistent with the risk tolerance of the Company or the risk profile, rules or constitution of the AIFs under management. Accordingly, in disapplying requirements, the relevant question to consider is: "is the size and internal organisation of the firm and the nature, scope and complexity of its activities such that effective risk management and the avoidance of inconsistent risk taking can be achieved without the imposition of the requirements to be disapplied?".

Also, as regards to the Add-On MiFID Services, ESMA has stated that the MIFID remuneration guidelines have been drafted with the proportionality principle in mind and that firms should apply the guidelines taking into account the nature, scale and complexity of their businesses and the nature and range of investment services and activities.

The Policy and the subsequent measures have been drafted to be appropriate to the Company size, internal organisation, nature, scope and complexity of activities performed. The Company has decided to opt for the application of the proportionality principle at the level of the Company on the basis of the analysis which outcomes are reflected in Annex II and thus not to implement the payout process rules listed above and not to set-up a Lux remuneration committee as foreseen in the applicable texts (AIFM Law and ESMA Guidelines). However, the Company relies on the Natixis Remuneration Committee, which does not only deliberate on the remuneration awarded at the level of the Company, but also on the other entities belonging to the Natixis group.

The Policy is fully aligned to the business strategy, objectives, value and interests of the Company and the funds it manages or the investors of such funds.

## 5. Governance of remuneration

The governance of the remuneration principles within the Company concerns different levels of responsibility:

- The Board
  - lays down remuneration guiding principles;
  - approves the Policy;
  - periodically reviews the Policy's general principles; and

– is responsible for its implementation.

- The Senior Management

  – implements the Policy according to the general principles adopted by the Board; and – is responsible for the organisation of the annual review of the Policy.

The Company ensures that the remuneration of the Staff members is appropriate to their responsibilities, expertise, tasks and powers.
The general and specific principles of the Remuneration Policy, the compliance of the Remuneration Policy with applicable regulations, the terms of application and summary figures of the Remuneration Policy (including details of Identified Staff) and the remuneration of the MV Credit Sarl's staff are also reviewed by the Company's shareholders and MV Credit Partners LLP before being reviewed by the Natixis Remuneration Committee.

## 6. Remuneration structure

The remuneration granted to Identified Staff/Relevant Persons may consist of:

- a fixed remuneration which remunerates role, responsibilities and expertise;
- a variable component which remunerates personal performance and collective achievements.

The Company's remuneration structure promotes sound and effective risk management with respect to sustainability risks as disclosed in the Sustainable Finance Disclosure Regulation EU 2019/2088 (SFDR).
Sustainability Risk as defined in Article 14 (EU) 2019/2088 is: "an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment".

The Company does not encourage excessive risk - taking with: any remuneration made will be in line with the firm's long-term tolerance of sustainability risk and variable remuneration will take into account the long-term impact that sustainability risk may have on the performance of the Company and the funds that it manages.

The Company ensures that fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration. This ensures full flexibility regarding the variable remuneration (including the possibility to pay no variable component).

Payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

Guaranteed variable remuneration is exceptional, occurs only in the context of new hires and is limited to the first year.
In case of an established fraud or misleading information used in the purpose of influencing variable remuneration, the Board can decide that an employee will pay back part or all variable remuneration received, in accordance with CSSF 10/437 (“Guidelines concerning the remuneration policies in the financial sector”).

### 6.1. Fixed remuneration

The fixed component of the remuneration encompasses, for all Staff members, the basic monthly gross salary, allowances and benefits in kind. Staff are entailed to following benefits lunch vouchers, private medical and travel insurance. Fixed remuneration remunerates the role, responsibilities and expertise of Staff members. The fixed remuneration is determined by market rates.

### 6.2. Variable remuneration

In addition to the fixed components described under section 6.1. above, Staff members may perceive, once a year, on a purely discretionary basis, a certain amount in cash, so-called bonus, further to a performance assessment, as described under the section 7 hereinafter.

The Company has a flexible approach on the variable remuneration component which varies depending on the following; the individual’s performance, the Company’s performance and the AIF’s performance[2]. The total variable remuneration could be contracted where subdued or negative financial performance of the AIFM or of the AIF concerned occurs, taking into account both current compensation and reductions in pay-outs of variable amounts previously earned. The board members will receive only a fixed fee.

The Company ensures that the measurement of performance used to calculate the amount of variable remuneration to be allocated to the Staff members is determined by taking into account the full range of current and potential risks associated with activities undertaken. The total amount of remuneration shall be based on a combination of the assessment of the performance of the individual and of the business unit or fund concerned and of the overall results of the Company.

When assessing the individual performance, the evaluation shall be based on financial and non-financial criteria (e.g. unethical or non-compliant behaviour). The appropriate mix of both criteria can vary depending on the tasks and responsibilities of the concerned individual.

[2] The variable remuneration is paid only if it is sustainable according to the financial situation of the AIFM as a whole and justified according to the performance of the business unit, the AIF and the individual concerned.

Members of 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.

The Company especially ensures that the Staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

When assessing the performance of the Identified Staff, the Company applies an approach based on a multi-year perspective in order to take into account the long-term performance of the Identified Staff member as well as the life-cycle of the fund(s) managed by the Company. Accordingly, the main performance objectives are defined on a multi-year basis.

On an annual basis, the Company translates the results of the appraisal into the variable remuneration component for each concerned member of the Identified Staff. Bonus is awarded on performance. Semi-annual and annual-assessment documented in October/November each year. Compensation Committee will consist of the board members. Board members will review remuneration from MV Credit.

An individual's performance assessment for determining performance-related remuneration will take into account sustainability measures and the likely impact of sustainability risks on the returns that the individual has helped to achieve for the Company and for the funds that it manages. The assessment will also take into account the individual's level of compliance with the Company's internal procedures relating to the management of sustainability risks, contributions that the individual makes to the Company's management of sustainability risks, the extent to which the individual's decision-making incorporates sustainability risk factors and other sustainability measures. With respect to any material sustainability risks identified, the Board will determine what individuals within the Company exercise a significant influence over those risks and how the individuals have managed those risks during the period under review.

The Company will ensure that the variable remuneration is not paid to any Staff member through vehicles or methods that facilitate the avoidance of the requirements of the applicable regulations.

Remuneration of the senior officers in the risk management and compliance functions is directly overseen by the Board/Group.

## 7. Application of the remuneration rules to the Delegate

When delegating portfolio management activities, the Company ensures that:

a) the Delegate is subject to regulatory requirements on remuneration that are equally as effective as those applicable under the AIFMD;

In this respect, the ESMA has considered in its guidelines that an entity can be considered subject to regulatory requirements on remuneration that are equally as effective, inter alia, where the following conditions are met:

(i) The entity with whom the delegation arrangement is concluded is subject to the remuneration rules under either Directive 2013/36/EU ("**CRD IV**") or AIFMD or Directive 2009/65/EC ("**UCITS**"), and

(ii) The staff of the entity who are Identified Staff for the purpose of these guidelines are subject to the CRD IV or AIFMD or UCITS Directive rules.

b) In other cases, contractual arrangements are put in place with the Delegate to ensure that there is no circumvention of the remuneration rules set out in the AIFMD. These contractual arrangements cover any payments made to the Delegate's identified staff as compensation for the performance of portfolio management activities on behalf of the Company.

# 8. Disclosure

## 8.1. External disclosure

The annual report issued by the Funds managed by the Company will contain at least the following information:

- The total remuneration for the financial year (split into fixed and variable remuneration) paid by the Company to the entire Staff and number of beneficiaries and, where relevant, carried interest paid by the fund it manages;

  In this respect, the annual report will also specify whether or not the total remuneration relates to any of the following:

  - The total remuneration of the entire Staff of the Company, indicating the number of beneficiaries; or
  - The total remuneration of those Staff of the Company who are fully or partly involved in the activities of the AIF, indicating the number of beneficiaries; or
  - The proportion of the total remuneration of the Staff of the Company attributable to the AIF, indicating the number of beneficiaries.

- Aggregate amount of remuneration broken down by Senior Management and other Identified Staff members.

The remuneration disclosure, when possible, will report an allocation or breakdown in relation to each fund managed by the Company and a description of how the allocation or breakdown has been performed.

### 8.2. Internal disclosure

The Company ensures that the Policy is accessible to all Identified Staff. The Company also ensures that at least the details externally disclosed are also revealed internally.

The criteria used to determine the remuneration are communicated to each Staff member and the appraisal process adopted is documented and transparent.

Confidential qualitative information will never be subject to internal disclosure.

## 9. Document retention

The Senior Management is responsible for the retention of the following documents (electronic or hard copies):

- Copies of labour agreements between the Company and its Staff;
- Copies of the appraisals for each Staff member;
- Copies of the decisions on allocation of variable remuneration to the Staff member;
- Copy of the assessment as regards the list of members of the Identified Staff.

## 10. Periodic review

The implementation of the Policy will be subject, at least once a year, to a central and independent internal review, which will be organised by the Senior Management of the Company in committee. This periodic review shall assess if the Policy:

- is operating as intended; and
- is compliant with national, international regulations principles and standards applicable to the sector within which the Company operates.

The outcome of the periodic review is properly followed up and presented to the Board.