

Appendix - Luxembourg

Aviva Investors Luxembourg (“AILX”) is part of the Aviva Investors group (hereafter, “AI”), which applies a group-wide remuneration policy (“AI Global Remuneration Policy”) to all its employees. This document sets out the remuneration policy of AILX and clarifies how sections of the AI Global Remuneration Policy apply specifically to AILX.

Scope

• This policy covers all the activities of AILX – i.e., i) management of Luxembourg and foreign undertakings for collective investment in transferable securities (UCITS) authorised according to EU Directive 2009/65/EC and the additional management of other Luxembourg and foreign undertakings for collective investment (UCIs), in accordance with Article 101(2) and Annex II of the Luxembourg Law of 17 December 2010 relating to undertakings for collective investment; ii) the performance, for Luxembourg and foreign alternative investment funds (AIFs) within the meaning of EU Directive 2011/61/EU of management functions, administration functions, marketing functions and other activities related to the assets of AIFs, in accordance with Article 5(2) and Annex I of the Luxembourg Law of 12 July 2013 relating to alternative investment fund managers; iii) management of portfolios of investments on a discretionary client-by-client basis; iv) investment advice; v) reception and transmission of orders in relation to financial statements, as contemplated in Article 101(3) of the 2010 Law and or Article 5(4) of the 2013 Law¹ – and seeks to comply with the following legal and regulatory framework:

- Luxembourg law of 17 December 2010 on undertakings for collective investment (hereafter, the “UCI Law”);
- Luxembourg law of 12 July 2013 on alternative investment fund managers (hereafter, the “AIFM Law”);
- Circular CSSF 18/698 on authorisation and organisation of investment fund managers incorporated under Luxembourg law, adopting the ESMA Guidelines on sound remuneration policies under the AIFMD and the UCITS Directive (ESMA/2016/579 and ESMA/2016/575, hereafter collectively referred to as the “Guidelines”);
- Circular CSSF 10/437 on the remuneration policies in the financial sector;
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (hereafter, “MiFID II”).
- Regulation (EU) 2017/565 (which supplements Directive 2014/65/EU);
- ESMA/2013/606

AILX Remuneration Committee (hereafter, “RemCo”)

The RemCo comprises members of the supervisory board who do not perform executive functions, the majority are independent and the chair is an independent non-executive of AILX. The RemCo determines the annual bonus pool to be allocated and approves the individual performance ratings and bonuses based on the recommendation given by the management including approval of the remuneration for the Heads of Control Functions (defined as Risk, Compliance). The remuneration of employees in Control Functions is determined independently of the financial results of Aviva Investors, to reinforce the independence of these functions. Furthermore, the RemCo decides on a number of subjects as detailed in this policy and ensures that the application of the remuneration policy is in line with the applicable regulation in Luxembourg, including that the remuneration processes take into account all risks and are consistent with the business strategy, objectives and values, seeking internal and external independent advice as necessary. The RemCo is a sub-committee of the Supervisory Board, which is in charge of approving the remuneration of MRTs

¹ Paragraphs iii) to v) refer to ancillary services as defined under Article 6(3) of the UCITS Directive or under Article 6(4) of the AIFMD

(as defined hereafter) other than (i) its own members and (ii) the Heads of the Control Functions.

The Audit function is independently governed by the Group Audit function at Aviva plc and subject to the Group Remuneration Policy governance.

AILX being ultimately own by Aviva Plc, the RemCo takes guidance from the HR Group function so that the decision criteria also comply with the Group Policy on Remuneration.

Members	
Position/Title	Current Title Holder
• Chairman of the Supervisory Board	Barry Fowler
• Director of Global Funds Services & Controls Operations	Kate McClellan
• Director of Risk Transformation and Governance	Sally Winstanley
• Global HR Reward	Stephen Doubleday
Attendees	
Position/Title	Current Title Holder
• Chairman of the Management Board	Mark Phillips (except for any matters relating to his personal remuneration)

Identification of Material Risk Takers (hereafter, “MRTs”)

In accordance with the Guidelines, paragraph 19 MRTs are defined as:

- Any member of the Management Board;
- The managers in charge of the control functions (Risk, Compliance, Internal Audit);
- Staff responsible for heading the investment management, administration, marketing and people functions;
- Any other staff member that can have a material effect on AILX risk profile as determined by the Supervisory Board upon recommendation of the RemCo.
- Other employees whose total remuneration takes them into the same bracket as senior managers and risk takers

Where delegated arrangements exist in relation to portfolio or risk management, AILX will ensure that these entities are subject to equally effective remuneration requirements as detailed in the main policy document. Any remuneration policy compliant with CRD IV, UCITS V and AIFMD will be considered as equally effective.

At the end of 2019, there are 6 MRTs comprising individuals in the following roles:

Executive Directors of AILX	2
Head of Finance	1
Head of Risk & Compliance	1
Head of Transfer Agency	1
Internal Audit Manager	1

Deferral of Variable Pay

MRTs in Luxembourg with variable compensation of €100k EUR or greater will have their incentive awards deferred at a rate of between 40% and 60% depending on the value of the award. The deferral period is 3 years with annual pro rata vesting. Both the upfront and deferred elements will have at least 50% delivered in fund linked units and subject to a holding period of 6 months. All other employees are

subject to the Global approach for deferred awards.

Limit on Variable Remuneration

Individual variable remuneration is limited to a maximum of 200% of fixed remuneration.

Discretionary Pension Benefits

AILX does not provide discretionary pension benefits to any staff.

Circumvention

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the UCI Law and/or AIFM Law.

Disclosure

Regulatory disclosures will be completed as required by (i) Article 20 of the AIFM Law, and (ii) Article 151 of the UCI Law, taking into account additional guidance laid out in Section 14.1 of the Guidelines.

Policy updates

Last update: 18 March 2020