

# **AURIGA ASSET MANAGEMENT LIMITED**

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## **Remuneration Policy**

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## Version Control

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Changes/Modifications</b>	<b>Status</b>
1.0	15.05.2017	Mrs. Claire Camilleri	First Draft	Approved
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## 1. Definitions

In this Policy, unless the context otherwise requires, the following definitions apply:

Board of Directors	means the Board of Directors of the Company.
Company	means Auriga Asset Management Limited, a limited liability company registered and incorporated under the laws of Malta on the 19th April, 2013 bearing Company Registration Number C 60085 and having its registered office address at “Skyway Offices”, Block C, Office 7, 179 Triq Marina, Pieta’ PTA 9042, Malta.
Control Functions	means the Risk Manager and the Compliance Officer of the Company.
Company’s Investment Services	means the Investment Services the Company is licenced by the MFSA to provide, namely: <ul style="list-style-type: none"> <li>- Alternative Investment Fund Management – <i>De Minimis</i> - in accordance with AIFM Directive, in relation to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties;</li> <li>- UCITS Management in accordance with UCITS Directive, in relation to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties;</li> <li>- Individual Portfolio Management on a client by client basis in accordance with MiFID II, in relation to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties;</li> </ul>
ESG	Environmental, Social and Governance criteria
Identified Staff	means categories of staff, including senior management, risk takers, control functions and any employee receiving total Remuneration that falls into the Remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company’s risk profile or the risk profiles of the Schemes that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the management company, whose professional activities have a material impact on the risk profiles of the Schemes.
Regulatory Framework	means: <ul style="list-style-type: none"> <li>- Alternative Investment Fund Manager Directive (2011/61/EU) (“AIFM Directive”);</li> <li>- Commission Delegated Regulation (231/2013/EU) (“AIFM Regulation”);</li> </ul>

	<ul style="list-style-type: none"> <li>- Undertaking for the Collective Investment of Transferable Securities Directive (2009/65/EC) (“UCITS Directive”);</li> <li>- Market in Financial Instruments Directive II (2014/65/EU) (“MiFID II”);</li> <li>- Investment Services Rules For Investment Services Providers Part BIII: Standard Licence Conditions Applicable To Investment Services Licence Holders Which Qualify As Alternative Investment Fund Managers;</li> <li>- Investment Services Rules For Investment Services Providers Part BII: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as UCITS Management Companies;</li> <li>- The relevant sections of the Investment Services Rules For Investment Services Providers PART BI: Rules Applicable To Investment Services Licence Holders Which Qualify As MiFID Companies.</li> </ul>
Remuneration	<p>means:</p> <ul style="list-style-type: none"> <li>i. all forms of payments or benefits paid by the Company;</li> <li>ii. any amount paid by the Schemes themselves, including carried interest; and</li> <li>iii. any transfer of units or shares of any Scheme managed by the Company,</li> </ul> <p>in exchange for professional services rendered by the Identified Staff.</p>
Schemes	means the Collective Investment Schemes managed by the Company.
Sustainability Factors	mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

## 2. Introduction

The purpose of this Policy is to describe the methods by means of which the Company intends to establish, implement and update its Remuneration practices – in accordance with the applicable Regulatory Framework - that are consistent with, promote sound and effective risk management and do not encourage risk-taking that is inconsistent with, the risk profiles of the Company and the Schemes.

This Policy focuses on ensuring sound and effective risk management through:

- i. The alignment with the Company’s business strategy, values, key priorities and long-term goals;
- ii. The alignment with the principle of protection of clients, investors and Schemes ensuring prevention of conflict of interests; and

- iii. ensuring that the total bonus pool does not undermine the Company's capital base.

In addition, this Policy aims at ensuring that:

- i. the Company is able to attract, develop and retain high-performing and motivated employees in a competitive international market;
- ii. employees are offered a competitive and market aligned Remuneration package making fixed salaries a significant Remuneration component;
- iii. employees feel encouraged to create sustainable results and that a link exists with the Company's growth in business.

The Remuneration Policy applies to the Identified Staff as defined in Section 1 and as identified more specifically in Section 3 of this Policy.

The ultimate responsibility for the establishment and updating of the Remuneration policies lie with the Board of Directors.

### 3. Scope

This Policy applies to the Identified Staff and it covers all aspects of the Remuneration.

The current Identified Staff is composed as per the following:

Name	Role
Rosario Fiorentino	Director/Chief Executive Officer/Portfolio Manager/Investment Committee Member
Joseph Falzon	Director/Investment Committee Member, Money Laundering Reporting Officer
Michele Beneduce	Non executive Director/Investment Committee Member
Kyle Debono	Risk Manager/Compliance Officer
Aurel Bardeli	Operations Manager

The above list shall be updated in the following circumstances:

- i. Changes in the persons involved in one of the roles included in the list (removals/new appointments...);

- ii. Changes in the roles included in the list: this may happen when new roles are introduced in the Company due to changes in its business.

#### **4. Proportionality**

As with other aspects of the Company's systems and controls, the Remuneration Policy and the relevant procedures and practices are required to be comprehensive and proportionate in view of the size, internal organisation and the nature, scope and complexity of its activities. In light of this assumption, the Company currently operates under a derogation from the requirement to establish a Remuneration Committee.

In accordance with the principle of proportionality, the Company will not apply:

- (i) all of the requirements on variable remuneration in instruments, retention, deferral, and ex post incorporation of risk for variable remuneration;
- (ii) the requirement to establish a Remuneration Committee. The role and functions of the Remuneration Committee, however, will generally be retained, where appropriate and/or applicable by the Board.

The Company has determined that such disapplication is reconcilable with the risk-profile, risk-appetite and strategy of the Company and the Schemes based on the following facts:

- i. The Company is not listed;
- ii. The legal, organisational, and internal governance structures of the Company are not complex;
- iii. The Company has less than 10 Employees (including all members of the Board);
- iv. The Company has less than EUR1.25billion of Assets under Management.

The Compliance Officer is entrusted with the ongoing assessment of the viability of this derogation.

#### **5. Corporate Governance**

The Company, based on its size, internal organization and the nature, scale and complexity of its activities, has elected not to establish a Remuneration Committee.

##### **5.1. Board of Directors**

The Board of Directors, in its supervisory function, is responsible for adopting and periodically reviewing the general principles of the Remuneration Policy.

In doing so, the Board of Directors shall consult the Control Functions and in particular, shall consider the findings of the annual review of this Remuneration Policy conducted by the Control Functions.

Currently, the non-executive director on the Board handles the implementation of the Remuneration Policy in accordance with the Regulatory Framework.

The non-executive director of the Board is uncharged with the following tasks:

- i. oversight of the Remuneration Policy, to ensure these are operated in a way that promotes effective risk management and does not encourage risk taking which exceeds the stated risk appetite and framework;
- ii. ensuring that the risks associated with the operation of the Remuneration Policy are considered;
- iii. giving due regard to any relevant legal and regulatory requirements, and associated guidance, as well as to the risk and risk management implications of its decisions;

More generally, the non-executive director will be responsible for the preparation of decisions regarding remuneration, including those decisions which have implications for the risk and risk management of the Company or the Schemes and which are taken by the Board of Directors of the Company.

## **5.2 Control Functions**

The Control Functions shall be responsible for initiating and facilitating an annual review of the Remuneration Policy and its implementation, which review shall, in addition to a general assessment for compliance with all applicable law and guidance, be carried out in light of business developments.

The results of the annual review and any recommendations will be presented to the non-executive director of the Company, who shall promptly evaluate the results of the review, address any recommendations, and propose the relevant changes to the Remuneration Policy that he deems appropriate to the Board of Directors.

All changes or material exceptions to the Remuneration Policy are to be approved by the Board of Directors of the Company.

Notwithstanding the foregoing, the Control Functions may determine, in line with the Proportionality Principle, to perform a full independent review less frequently than annually, provided that the Control Functions shall at least certify on an annual basis, following a brief internal assessment, that there has been no material change to the applicable law or guidance, the risk-profiles of the Schemes, the Company's corporate governance structure, and generally all other relevant circumstances affecting the Remuneration Policy that might have changed since the last independent review.



## 6. Remuneration Structure

Fixed based Remuneration – i.e. the regular fixed salary - agreed at the point of hiring and as amended infrequently from time to time, of any Identified Staff must be in line with prevailing market rates for the specific role(s) occupied. Salaries are reviewed, where deemed appropriate, on an annual basis at the earliest.

Individuals' salaries are reviewed based on their contribution to the overall strategy in the following areas:

- The overall growth of the Company and its financial affordability
- The effectiveness and efficiency of Operations.
- The consideration of the Company's ESG principles which are based on various Sustainability Factors.

The review also assesses the competencies for both financial and non-financial metrics, and specific behavioural competencies including compliance matters. Competencies assessed are:

- Contribution and effectiveness;
- Seniority;
- Business and technical knowledge including the level of education and amount of relevant courses attended;
- Attitude and commitment;
- Ability to carry out relevant role without supervision, considering the individual's experience, knowledge and skills;
- Compliance with and provision of all records required by the Company's policies and procedures.

The Company does not currently award, pay or provide any form of variable remuneration as at the date of this review.

Should any form of variable remuneration be adopted by Company (for example an end of year bonus), it shall ensure to maintain a prudent balance between having a sound financial situation and the payment of the award, pay out or vesting of variable remuneration. In any case, should the Company ever decide to award a variable remuneration element it shall ensure that the fixed component represents a sufficiently high proportion of the total remuneration. Furthermore, any potential variable remuneration shall include a comprehensive adjustment mechanism to integrate all relevant types of current and future risks, including sustainability risk;

In particular, the Company should ensure that its financial situation will not be adversely affected by:

- the overall pool of variable remuneration that will be awarded for that year; and
- the amount of variable remuneration that will be paid or vested in that year.

## 7. ESG Principles

The Company has defined the following ESG principles which are also considered when assessing the performance of employees and other relevant staff:

### 7.1 Environmental

The Company encourages environmentally friendly measures such as:

- Avoiding printing of documents when these can be reviewed electronically.
- Recycling waste with separation of plastic, paper, organic, glass and general waste.
- Avoiding the use of single-use materials and encouraging the use of re-usable materials
- Energy efficiency through minimizing the consumption of electricity by:
  - Using energy efficient lighting and electronic devices.
  - Utilising natural light as much as practically possible – this is possible thanks to the location of the office.
  - Avoiding unnecessary energy consumption, especially in rooms that are not occupied.

### 7.2 Social

The Company ensures to provide a safe environment for its staff members and to offer equal and fair salaries and working conditions in a non-discriminatory manner. To achieve this objective, it applies the following measures:

- The remuneration of employees is based on meritocracy, with the goal to compensate individuals, irrespective of their social background, country of origin, gender, age, race and/or sexual orientation, religion, and/or political opinions.
- The remuneration of each employee / functionary is based upon several factors as described in section 6 above. Such remuneration shall be competitive compared to the average market-based compensation offered throughout the industry the Company operates in, the professional seniority and academic experience, the skillset replicability of the individual.
- Neither the CEO nor any director nor any executive have golden parachutes, early retirement/exit premia, or other material corporate benefits.
- Providing a safe and pleasant environment to employees with direct access to the CEO irrelevant to the seniority level of the employee.
- Providing support to employees that may be facing certain difficulties to find mutually acceptable solutions.
- Avoiding the need for employees to work outside office hours.

The Company ensures to handle any client data with the utmost privacy (as far as legally possible) and it allows any potential client the ability to present their investment mandate proposal in a fair and non-discriminatory manner. Although all accepted mandates must be financially viable, the Company will not discriminate any potential client based on the size of their investment proposal alone.

Furthermore, when considering investment proposals by clients the Company shall avoid mandates that focus excessively on financial instruments or other products regarded as socially undesirable such as:

- Firearms manufacturing/dealing.
- Tobacco, alcohol and other addictive substances.

- Highly polluting products/industries.
- Gambling.

### **7.3 Governance**

Having an independent director on the Board adds accountability and independent checks. Such person has a direct influence on the decisions taken at the highest level of the Company. Additionally, the Company employs certain control functions that are not involved in the investment process. This adds accountability and reduces the risk of any collusion or any other undesirable effect on the Company or any of its stakeholders.

Furthermore, as a licenced entity, the Company must always have in place several policies and procedures such as the conflict-of-interest policy, the remuneration policy itself and the Compliance Monitoring Programme which ensure that governance factors are adhered to as much as possible.

The Company has no link to any political party within any jurisdiction that it or its clients may do business in.

## **8. Delegation**

When delegating portfolio management or risk management activities to third parties, the Company should ensure that:

- a) the entities to which portfolio management or risk management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under this Policy;
- b) appropriate contractual arrangements are put in place with entities to which portfolio management or risk management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the present guidelines; these contractual arrangements should cover any payments made to the delegates' identified staff as compensation for the performance of portfolio or risk management activities on behalf of the Company.

The Company does not currently delegate any portfolio management activity. The Risk Management function is currently outsourced to Mr. Kyle Debono who has a fixed remuneration tied to the number of hours utilised to carry out his tasks as risk and compliance officer. There is no performance based or other variable remuneration element included in this contract.

## **9. Record Keeping**

In line with the record-keeping requirements set out in the Regulatory Framework, the Company should ensure that its Remuneration policies, practices and procedures are clear and well-documented.

In particular, proper documentation should be kept on the procedures to determine Remuneration, including on the decision-making process, the determination and selection of Identified Staff and the measures used to avoid conflicts of interest and risk-adjustment mechanisms used.

## **10. Transparency**

### **10.1 External Disclosure**

The Company shall, on an annual basis, publish certain information on its Remuneration policies and practices. This information will be disclosed in the Company's annual report, through a separate Remuneration policy statement, or in any other form that the Company deems appropriate.

### **10.2 Internal Disclosure**

This Remuneration Policy shall be distributed to all Identified Staff. Identified Staff should be informed in advance of other criteria that will be used to determine their Remuneration that are not included in this Remuneration Policy except for any confidential quantitative considerations. The performance assessment process and the importance of non-financial assessment factors in the process should be clearly explained to relevant employees.

## **11. Breaches and Amendments**

Any significant breach of this policy or proposed changes to the Policy that could have a significant impact on the Company's risk profile or resources will be promptly notified to the MFSA.