

REMUNERATION POLICY



May 2017

CHANGE MONITORING TABLE

Date	Name	Changes Made	Version
May 2017	Regulatory Compliance	First draft	1

INDEX

1. INTRODUCTION	4
2. APPLICABLE REGULATION	4
3. CONCEPT OF REMUNERATION	5
4. SUBJECTIVE SCOPE: "IDENTIFIED PERSONNEL"	6
5. PRINCIPLES THAT INSPIRE THE PERSONNEL'S REMUNERATION SYSTEM	6
6. CORPORATE GOVERNANCE OF REMUNERATIONS	8
7. BASIC LINES OF THE REMUNERATION SYSTEM	9
BOARD OF DIRECTORS	9
PERSONNEL INVOLVED IN INTERNAL CONTROL FUNCTIONS.....	10
COMMERCIAL PERSONNEL DEDICATED TO SALES.....	10
PERSONNEL DEDICATED TO ASSET MANAGEMENT	10
8. SETTING AND CONTROL PROCESS	10
9. MONITORING AND CONTROL	12
10. ADVERTISING AND TRANSPARENCY	12
11. UPDATING.....	14

1. INTRODUCTION

The remunerative policy of BUY & HOLD CAPITAL, S.G.I.I.C., S.A. (hereinafter, "Buy & Hold" or the "Entity") has been established with the need to provide the Entity with sound remuneration procedures that are compatible with adequate and effective risk management. The remunerative policy of Buy & Hold aligns the risks assumed by its personnel with those of the UCITS that it manages, those of the investors of the UCITS and those of the Entity itself. In particular, the remunerative policy duly considers the need to adjust the risks in terms of risk management and exposure to risk.

The remunerative policy of Buy & Hold:

- It is in line with the business strategy, objectives, values and interests of the Entity.
- It does not encourage excessive risk taking, compared to the investment policy of the UCITS that it manages.
- It enables the interests of the UCITS and their investors to be adapted to those of the personnel managing the UCITS and the maintaining of an adequate financial situation.

This document identifies the general principles that govern that policy, the objectives pursued, and describes the main elements, which are part of the Entity employees and executives' compensation, with special reference to the *identified personnel*.

It should be noted that the Entity's remuneration policy is adapted to the size, internal organisation, nature, scope and complexity of its activities.

2. APPLICABLE REGULATION

The reference regulations when defining this policy is the following:

- Royal Legislative Decree 4/2015, of 23 October, approving the revised text of the Spanish Securities Market Act (*Ley del Mercado de Valores*).
- Royal Legislative Decree 1/2010, of 2 July, which approves the revised text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*).
- Spanish Law 35/2003, of 4 November, on Collective Investment Institutions [*Ley de Instituciones de Inversión Colectiva*] (updated by Spanish Law 22/2014, of 12 November).

- Royal Decree 1082/2012, of 13 July, approving the Regulation for the development of Spanish Law 35/2003, of 4 November, on Collective Investment Institutions (updated by Royal Decree 83/2015, of 13 February).
- The Commission's Delegated Regulation (EU) No. 604/2014, of 4 March 2014, which complements the European Parliament and the Council's Directive 2013/36/EU with regard to technical norms of regulation in relation to the qualitative criteria and the adequate quantitative criteria to determine the personnel categories whose professional activities have a significant impact on an entity's risk profile.
- Guidelines on remuneration policies and practices in the field of MiFID (ESMA/2013/606, of 3 June 2013).
- Guidelines on appropriate remuneration policies in accordance with the UCITS Directive (ESMA/2016/575 of 14 October 2016).

3. CONCEPT OF REMUNERATION

The amount of remuneration will consist of one or more of the following components:

- all forms of payment or salary supplements paid by the Entity,
- any amount paid for the managed UCITS, including any part of the *management fees on results* paid directly or indirectly in favour of the *identified personnel*, or
- any transfer of public or private limited company shares of managed UCITS,

as remuneration for the professional services provided by the Entity's *identified personnel*.

The remuneration amount can be divided into fixed remuneration (salary payments or supplements that do not include any criteria on the results) or variable remuneration (additional payments or supplementary salaries that depend on the results or, in certain cases, on other contractual criteria).

Both components of the remuneration amount (fixed and variable) may include payments or monetary salary supplements (such as cash, shares, options, cancellation of loans to employees at the time of dismissal, contributions to the pension plan) or salary supplements, which are not (directly) monetary (such as discounts, complementary social benefits or compensation for car expenses, mobile phone expenses, etc.).

A "permanency bonus" is a variable remuneration method that can only be allowed to the extent that the provisions of risk alignment have been applied correctly.

Dividends or similar distributions that the partners receive as the Entity's owners do not fall within the scope of this policy, except if the payment of those dividends results in an evasion of the corresponding remuneration rules, being, for these purposes, irrelevant whether or not there is an intention to circumvent these rules.

It must be ensured that the variable remuneration amount has not been paid by means of vehicles or other means that are used for the purpose of artificially circumventing the provisions of the UCITS Directive and the ESMA Guidelines.

4. SUBJECTIVE SCOPE: "IDENTIFIED PERSONNEL"

The following categories of employees are included among the identified personnel:

- Executive and non-executive members of the Entity's management body, such as: administrators, the CEO and executive and non-executive partners.
- Senior managers.
- Personnel exercising control functions.
- Responsible personnel in charge of investment management, administration, marketing and human resources.
- Others who are responsible for taking risks, such as: staff members, whose professional activities - whether individual or collective, as members of a group (for example, a business unit or part of a department) - can exert a significant influence on the Entity's profile risk or in a UCITS that it manages, including those responsible for entering into contracts or taking on posts and making decisions that may significantly affect the risk positions of the Entity or the UCITS they manage. Such personnel may include, for example, the sales teams, the particular operators in the brokerage and the operations departments of stock brokerage.
- Employees who do not obtain a high amount of total remuneration but that could have a significant impact on the risk profile of the Entity or the UCITS they manage, given the post or the particular responsibilities exercised by that person.
- Other employees/persons, whose total remuneration includes them in the same remuneration group as that of senior managers and those responsible for taking risks.

5. PRINCIPLES THAT INSPIRE THE PERSONNEL'S REMUNERATION SYSTEM

The remunerative policy of Buy & Hold is based on the following general principles:

- It must avoid conflicts of interest and breaches in rules of conduct.
- It must be compatible with the personnel obligation to act honestly, impartiality and with professionalism, and in the clients' best interests.

- It must enable adequate and effective risk management, without incentives that imply the assumption of risks above the level tolerated by the Entity, and with risk profiles, fund rules or UCITS statutes managed by the Entity.
- It must be compatible with the business strategy, objectives, values, and interests of the Entity, and of the UCITS it manages, or with those of the UCITS' investors, including measures to avoid conflicts of interest.
- Variable remuneration must be consistent with maintaining a solid capital base.
- When the remuneration is linked to results, the total amount will be based on an evaluation that combines the results of the individual with those of the business unit or the affected UCITS and the overall results of the Entity. Regarding the evaluation of individual results, both financial and non-financial criteria will be considered.
- The evaluation of results will be carried out in a multi-annual framework, which is appropriate to the life cycle of the UCITS managed by the Institution. This is to guarantee that the evaluation process is based on longer term results and that the effective settlement of components of remuneration based on results are spread over a period that takes into account the reimbursement policy of the UCITS that it manages and its investment risks.
- Variable remuneration can only be guaranteed in exceptional cases, in the context of hiring new personnel and be limited to the first year.
- The fixed components and the variable components will be properly balanced. Fixed remuneration must be high enough to compensate the professional services provided, depending on the level of education, degree of seniority, level of specialised knowledge and qualifications required, limitations and work experience, business sector and the relevant region.
- The remuneration policy must be fully flexible on variable remuneration, which implies that not only variable remuneration will be reduced if there are negative results, but also that it can be reduced to zero in some cases.
- Variable remuneration must be linked to results and adjusted for risk.

- Payments for early termination of a contract will be based on the results obtained over time and will be established in a way that does not reward bad results.
- Regarding the measurement of results with a view to calculating the variable components of remuneration or batches of variable components of remuneration, a complete adjustment mechanism will be included to integrate all types of current and future risks.
- A substantial part, which is at least 50% of any variable remuneration, will consist of units of the relevant UCITS, or equivalent property interests, or instruments linked to shares, or equivalent instruments other than cash, unless the management of the UCITS represents less than 50% of the total portfolio managed by the Entity, in which case the minimum of 50 % will not be applied.

- A substantial part, representing at least 40% of the variable remuneration component, will be postponed for an appropriate period depending on the life cycle and reimbursement policy of the UCITS concerned and will be adapted appropriately to the nature of the risks of the UCITS in question.
- The period referred to in the preceding paragraph will be between three and five years at least, except if the life cycle of the UCITS in question is shorter. The remuneration payable under deferral arrangements will not be entered into more quickly than proportionally, if a variable remuneration element is of a particularly high amount, at least 60% will be deferred.
- Variable remuneration, including the deferred part, will be paid or will become part of the latter only if it is sustainable in accordance with the Entity's financial situation as a whole, and if justified by the results of the business unit of the UCITS and the person concerned.
- The total variable remuneration will generally contract considerably when the Entity or the UCITS obtains mediocre or negative financial results, taking into account current remuneration and the reduction in the payments of the amounts obtained previously, including through penalty provisions or recovery.
- Staff members must undertake not to use personal risk coverage or liability insurance strategies in order to undermine the effects of risk alignment embedded in their remuneration regime.
- Absence of any direct relationship between the remuneration of competent persons who mainly perform an activity and the remuneration of other competent persons who essentially perform another activity, or also between the remuneration of those first persons and the income generated by the second persons, in cases where conflicts of interest may arise in relation to those activities.

6. CORPORATE GOVERNANCE OF REMUNERATIONS

The General Shareholders' Meeting will annually approve the remuneration of the Chief Executive Officer and the members of the Board of Directors who have executive functions.

The CEO of Buy & Hold is responsible for establishing the general principles of the remuneration policy. The Board of Directors is responsible for approving such policies.

Likewise, the CEO must periodically review the established principles and is responsible for monitoring the application thereof.

Notwithstanding the foregoing, all competent functions in the company (i.e., risk management, regulatory compliance, human resources, strategic planning, etc.) must have an

adequate participation in the design, continuous supervision and review of the Entity's remuneration policy.

The Chief Executive Officer will set the aggregate amounts of remuneration, both fixed and variable, in view of the evolution of the firm's income statement and business figures.

The Board of Directors will confirm, in the annual approval of the trend in business figures, the aforementioned aggregate amounts of remuneration.

The risk management function assesses the way in which the structure of variable remuneration affects the Entity's risk profile. The risk management function validates and evaluates the risk adjustment data.

The regulatory compliance function analyses the way in which the remuneration structure affects compliance with the legislation, regulations and internal policies of the Entity.

The internal audit function periodically carries out an independent audit of the design, application and effects of the Entity's remuneration policies.

On the other hand, it has not been considered necessary to set up a remuneration committee, in accordance with the provisions of article 188 of the consolidated text of the Spanish Securities Market Act, article 46 bis.2. f) of the Spanish Law on Collective Investment Institutions and the ESMA Guidelines on adequate remuneration policies in accordance with the

UCITS Directive (guidelines 54 to 59). The Board of Directors assumes the functions of the remuneration committee.

7. BASIC LINES OF THE REMUNERATION SYSTEM

The general remuneration system is made up of the essential criteria that define the way in which Buy & Hold compensates workers depending on the personal contribution that each one makes to the achievement of organisation's results, and that is the expression of the directing philosophy and culture of the organisation.

Board of Directors

The Board of Directors does not set its own remuneration. Decisions regarding the remuneration of the members of the Board of Directors and of the Chief Executive Officer are assigned to Buy & Hold's General Shareholders' Meeting, always following the criteria and principles set out in this document.

Personnel involved in internal control functions

The Chief Executive Officer proposes the remuneration of employees annually, which will be approved by the Entity's Board of Directors. For these employees, the fulfilment of objectives linked to their functions will have a special weighting, regardless of the results shown by the business areas controlled by them.

Commercial personnel dedicated to sales

Personnel dedicated to sales do not receive any variable remuneration linked to business acquisition. When a variable remuneration is agreed, it will only be linked to company profits.

Personnel dedicated to asset management

Personnel dedicated to management do not receive any variable remuneration linked to the evolution of portfolios. When a variable remuneration is agreed, it will only be linked to company profits.

The Board of Directors may exceptionally decide as a measure of loyalty to key employees, to establish a variable remuneration linked to the achievement of certain objectives such as profits, assets under management, etc., with terms of more than two years.

8. SETTING AND CONTROL PROCESS

The system of objective based variable remuneration is aimed at achieving the best results from the personnel. Objectives must be clear and precise, achievable, motivating and quantifiable.

The objectives, according to their scope, will be:

- Company objectives: those that affect the whole of the Entity. They promote the achievement Buy & Hold's results and reinforce company spirit.
- Area objectives: these affect the whole of the Area in which they belong. They reinforce the global vision of the Functional Area, enabling shared objectives and strategies to be addressed.

The objectives in accordance with their nature will be:

- Quantitative: Easy to measure and understand, affecting the immediate results of the business, such as net sales figures.

- Qualitative: they develop the function of the employee, they facilitate the development of Buy & Hold in the long term.

Purpose of the Variable Remuneration System:

- To maintain a certain level of personal commitment to the Entity's general objectives, as well as to the specific objectives of the post.
- Clarity regarding the responsibilities and objectives to be achieved by the holder of the post, as well as regarding the priorities of those objectives.
- An instrument of communication and motivation.
- To have an effective planning and control tool.

The amount of incentives received each year, may under no circumstances imply the assumption of risks that exceed the level tolerated by the Entity and, in any case, will be consistent with the maintenance of a solid capital base, on an individual and consolidated basis, under the solvency regulations.

The right to receive variable remuneration is obtained ("granted") at the end of the *accrual period* or during the *accrual period*, whose duration must be at least one year, although it may be longer.

Variable remuneration must be partially paid in advance (in the short term) and partially deferred (in the long term). Before the deferred part is paid, it should be required that the results be re-evaluated and, if applicable, that an adjustment be made for the risk to adapt the variable remuneration to the risks and the errors in the results and risk assessments that have appeared since employees were given the variable component of their remuneration.

Buy & Hold may use specific criteria in which the *penalties* (both the cash and the deferred remuneration *instruments*) and the *remuneration* would apply. These criteria should include, for example:

- evidence of improper behaviour or gross error on the part of the employee (for example, a breach of the Internal Company Regulations and other internal regulations, especially those relating to risks).
- if the UCITS and/or the Entity and/or the business unit subsequently suffer a significant decrease in their financial results (specific indicators should be used).
- if the UCITS and/or the Entity and/or the business unit in which the employee works suffers a significant deficiency in risk management.
- significant changes in the global financial situation of Buy & Hold.

Under no circumstances should the explicit adjustment for ex-post risk (both for cash and *instruments*) imply an increase in the deferred part.

9. MONITORING AND CONTROL

At least once a year, a central and independent internal evaluation of the application of the remuneration policy will be carried out, in order to verify whether the remuneration policies and procedures adopted by the management body in its supervisory function are complied with. The monitoring and control procedure will be carried out by the Regulatory Compliance Unit.

These central and independent reviews must assess whether the general remuneration system:

- works as planned (in particular, that all agreed programmes and plans are covered, that remuneration payments are adequate, and that the risk profile, long-term objectives and objectives of the Entity are adequately reflected);
- it is in accordance with national and international regulations, principles and norms.

When the periodic reviews reveal that the remuneration system does not work as planned or established, the Board of Directors must guarantee that the appropriate plan is applied to correct it.

Periodic review of the application of remuneration policies and practices may be partially or totally entrusted to an external service, when appropriate, in accordance with the proportionality criterion. In accordance with proportionality, Buy & Hold may decide to outsource the entire review. In any case, the CEO will remain responsible for reviewing remuneration policies and practices and ensuring that the results of the review are addressed.

The results of the evaluation, which is carried out annually, must be reported to the Board of Directors.

10. ADVERTISING AND TRANSPARENCY

Internal dissemination of information

The remunerative policy of Buy & Hold is accessible to all staff members of the Entity. The content that must be disseminated internally will be, at least, that which is disseminated externally.

The staff is informed in advance of the criteria that will be used to determine their remuneration. The evaluation process must be timely documented and accessible to each of the staff members concerned.

External dissemination of information

The brochures of the managed UCITS contain detailed and up-to-date information on the remunerative policy of Buy & Hold, which will include, at least, a description of how remuneration and benefits are calculated and the identity of the persons responsible for doing so. This detailed information may be replaced by a summary of the remuneration policy, which indicates the web page on which the information can be consulted and states that a paper copy of the information can be obtained free of charge upon request.

On the other hand, the annual reports of the managed UCITS (specifically the IPPs corresponding to the second semester) must contain:

Quantitative data:

- Total remuneration paid by Buy & Hold to its personnel broken down into:
 - Fixed remuneration.
 - Variable Remuneration.
- Number of beneficiaries (the total number of employees will be specified and, within these, the number of those benefiting from variable remuneration).
- Remuneration linked to the variable management fee of the UCITS, indicating that it does not exist for those UCITS that do not apply this type of remuneration.
- Compensation broken down into:
 - senior positions: indicating the number of people included in this category and itemising the remuneration as fixed or variable.

- Employees whose actions have a material impact on the risk profile of the UCITS (with the understanding that all UCITS have employees within this group): indicating the number of people included in this category and itemising the remuneration as fixed or variable.

Qualitative data:

- Description of the remuneration policy of the Entity, which should include the detail of the calculation method for the different groups of employees, and for the different types of remuneration, taking into account both financial and non-financial criteria.

Additionally, the harmonised funds must include a description of the modifications that have been made in the remuneration policy, as well as the results of the revisions to the policy made by the Entity on a regular basis.

In the case of funds with a strong link to a manager, all the above information at the individual level about these funds must be given.

11. UPDATING

The updating of this procedure will be carried out by the CEO, at least once a year.

In addition, the Regulatory Compliance Unit will continuously monitor regulatory developments and other circumstances that require a modification or update, when they occur, and inform the Chief Executive Officer thereof.