AS Avaron Asset Management’s Remuneration Policy

General

The remuneration policy (hereinafter: “**Policy**”) outlines the remuneration framework applicable to the employees involved in the management of undertakings for collective investments in transferable securities (“**UCITS**”) and Portfolio Management services of AS Avaron Asset Management (hereinafter: “**Avaron**” or the “**Company**”), the fund management company. The Policy is subject for categories of employees, whose professional activities have a material impact on Avaron's risk profile (hereinafter: “**Identified Staff**”).

Identified Staff comprises of employees considered as having material impact on Avaron’s risk profile. Such are:

- Senior management – *Members of the Management Board, Head of Back-Office, Head of Administration*
- Risk takers - *Members of the Investment Committee, Investment Managers, Trader*
- Staff engaged in control functions – *Compliance Officer*
- 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 risk profile of the Company and UCITS.

The purpose of this Policy is to set forth the remuneration principles of the Company to meet the following principles:

- To be consistent with and promote sound and effective risk management which does not encourage risk-taking that exceeds the level of tolerated risk as set forth in the risk profile of a UCITS fund;
- To be in line with the business strategy, objectives, values and long-term interests of the Company;
- To incorporate measures to avoid conflicts of interest;
- To attract, develop and retain high-performing and motivated employees in a competitive international market.

The Supervisory Board is responsible for adopting and periodically reviewing the general principles of the Policy, identifying the staff to be categorised as Identified Staff and shall be responsible for overseeing the Policy’s implementation at least annually. The Supervisory Board shall ensure that the Company’s remuneration policies and practices are appropriately implemented and aligned with the Company’s overall corporate governance framework, risk profile, risk appetite and strategy.

The remuneration for Identified Staff shall be approved by the Supervisory Board.

The Supervisory Board shall guarantee, that staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their control functions, independent of the performance of the business areas they control.

The internal audit of the Company shall carry out an independent review of the design, implementation and effects of the Policy regarding compliance with applicable regulation.

On the basis of the recommendation of the Management Board, compliance function and internal audit, the Supervisory Board shall review, consider and where appropriate, approve the incentive schemes for the coming year. The aggregate variable remuneration pool which is made up of bonus accrued under said schemes is approved once a year by the Supervisory Board based on recommendation of the Management Board.

Taking into account the Company's size, internal organisation, nature, scope and complexity, no remuneration committee is being established.

The Policy shall apply to remuneration earned for the fiscal year starting on 1 January 2017.

Remuneration components

The total remuneration components must be appropriately balanced, so that the fixed component represents a sufficiently high proportion of the total remuneration, allowing the possibility to pay no variable remuneration component, to avoid inducing excessive risk taking. The components of the total remuneration are:

- basic **fixed remuneration**, which reflects relevant professional experience and organisational responsibility as set out in the employee's job description as part of the terms of employment; and
- **variable remuneration** which reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment as follows:
    - Performance of the individual employee,
    - Performance of the business unit concerned,
    - Overall results of the Company.

No pension benefits are paid to the employees.

Performance based remuneration may be paid to employees as a cash bonus, in shares or share based instruments and other generally approved instruments, all on the basis of applicable local legislation, dependent upon the employee's contribution.

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

The total variable remuneration may not limit the ability of the institution to strengthen its capital base.

Additional requirements for the Identified Staff

The appropriate combination of quantitative and qualitative criteria shall be used to measure performance and risk. The criteria shall be aligned with the Company's objectives, be realistic and appropriate to measure the individual and overall performance.

The Quantitative indicators shall cover period long enough to properly capture relevant risk and may include for example Company financial results, Avaron funds' and managed accounts' absolute and relative returns and alpha generated and assets raised and managed by the Company.

The Qualitative measures may include achievement of Company's strategic targets, Avaron funds' and managed accounts' investor satisfaction, adherence to risk management policy, compliance with internal and external rules, motivation and cooperation with business units and controlled functions.

Negative non-financial performance such as unethical or non-compliant behaviour, including non-compliance to Avaron internal rules and industry practice, shall override good financial performance and diminish Identified Staff variable remuneration.

The maximum variable remuneration is 100% of the fixed remuneration.

The payment of variable remuneration can be divided into the following phases, each subject to appropriate risk alignment measures: (i) accrual period; (ii) awarding, and (iii) vesting/pay-out.

The Company applies appropriate accrual periods, considering the risks entailed to the relevant unit or business activity. The standard accrual period is one year.

Deciding on bonus pools and awarding variable remuneration is subject to and forms part of the Company's general risk management process (incl. stress-testing scenarios) to ensure that payment of variable remuneration does not have negative impact on the business continuity of the Company.

At the annual performance and appraisal interview, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or annual performance-based pay are made on the basis of this appraisal.

The assessment of the performance is set in a three-year framework, to ensure, that the assessment process is based on longer-term performance taking into account the business cycle of the Company and its business risks. Therefore, only up to 40% of the variable remuneration shall be payable upon awarding, and 60% shall be deferred and payable (vesting) based on a pro rata principle in a three-year period, whereas the minimum time between awarding and payment (vesting) of the first part of the deferred payment, and each payment thereafter is one year. The supervisory board of the Company may apply a longer deferral period, considering relevant circumstances.

For payment (vesting) of the deferred part, reassessment of the performance and, if necessary, a risk adjustment shall be undertaken in order to align variable remuneration to risks and errors in the performance and risk assessments since the award phase.

The variable remuneration, including the deferred portion, is paid only if it is sustainable according to the financial situation of the Company as a whole, and justified on the basis of the performance of the Company, the business unit and the individual concerned. Depending whether paid in money or financial instruments, appropriate retention requirements are applied.

The total variable remuneration shall generally be considerably decreased, where subdued or negative financial performance of the Company occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements. Up to 100% of the total variable remuneration shall be subject to malus or clawback arrangements in three-year timeframe from the first payout of the deferred remuneration.

Disclosure

The Policy may be updated from time to time. The most recent Policy is made public at the website of the Company www.avaron.com.

The paper version of the Policy can be obtained at the registered office of the Company.

Policy created:	January 2017
Last modified:	
Approved by:	Supervisory Board of Avaron as of 16 January 2017