
Flexagon Capital Management Ltd
Remuneration Policy Document

Remuneration Policy – Master Sheet – Version control

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CONTENTS

PURPOSE AND RATIONALE.	4
APPLICATION.	4
Identified Staff	4
Proportionality	5
RECORD KEEPING.	6
TRANSPARENCY.	6
External Disclosure	6
Internal Disclosure	6
REMUNERATION PRINCIPLES & MANAGER POLICIES.	7
Fundamental Considerations, Governance, and Independent Review	7
Control Functions	8
Remuneration Structure – Performance-Related Remuneration	9
Sustainable Finance Disclosure Regulation – (SFDR)	12
Pension Policy & Severance Pay	13
Personal Hedging Strategies	13

PURPOSE AND RATIONALE.

The aim of this Remuneration Policy is to ensure that Flexagon Capital Management Ltd. (the “**Manager**”) has risk-focused remuneration policies and practices that are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with risk profiles, fund rules, offering documents, or instruments of incorporation of the Alternative Investment Funds and UCITS Fund that it manages. By aligning its Remuneration Policy with effective risk management, it is less likely that the Manager’s employees will have incentives to act in a manner that is inconsistent with the risk-tolerance of the Funds and contrary to interests of their investors.

This Policy has been drafted in accordance with EU Regulation 231/2013 and Annex II of the EU Alternative Investment Fund Managers Directive 2011/61 (collectively, the “Regulations”); and the Guidelines on Sound Remuneration Policies Under the UCITS and AIFMD issued by the European Securities Markets Authority (“ESMA Guidelines”) (the Regulations and the ESMA Guidelines, collectively, “the Remuneration Requirements”)

The Remuneration Provisions are principally concerned with the risks created by the way remuneration arrangements are structured, not with the absolute amount of remuneration, which is generally a matter for the Manager’s Board of Directors (the “**Board**”).

Moreover, pursuant to Article 5 of Regulation (EU) 2019/2088 (“SFDR”) relating to sustainability-related disclosures in the financial services sector, this Remuneration Policy also includes information on how remuneration is consistent with the integration of sustainability risks.

APPLICATION.

Identified Staff

The specific requirements of this Remuneration Policy apply only in relation to certain categories of the Manager’s employees, namely: senior management, risk-takers, staff engaged in 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 Manager’s risk profile (the “**Identified Staff**”).

The following is a current list, as of the date of this Remuneration Policy, of the Identified Staff of the Manager, as determined by the Board in accordance with the ESMA Remuneration Guidelines:

Category	Identified Staff
Members of Governing Body	Members of the Board of Directors (Senior

	Management)
Control Functions	Chief Risk Officer Compliance Officer Valuation Committee Members Operations Manager
Other Risk-Takers	Members of the Investment Committee Portfolio Manager Operations Manager Managing Director Non-Executive Directors Money Laundering Reporting Officer

Proportionality

As with other aspects of the Manager’s systems and controls, its remuneration policies, procedures and practices are required to be comprehensive but compliance with the Remuneration Provisions is expected to be proportionate in view of the size, internal organisation and the nature, scope and complexity of its activities (the “**Proportionality Principle**”).

In accordance with the ESMA Guidelines on sound remuneration policies and practices under the AIFMD and the Guidance Notes on the application of the Proportionality Principle issued by the MFSA, the Manager has been granted a derogation from the remuneration requirements on the pay-out process and to establish a remuneration committee. The derogation was granted for a period of two years ((January 2020 to January 2022)

(i) all of the requirements on variable remuneration in instruments, retention, deferral, and ex post incorporation of risk for variable remuneration and (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 (in keeping with the Proportionality Principle) by the Board.

Having performed an assessment of each of the disapplied requirements, the Manager has determined that such disapplication is reconcilable with the risk-profile, risk-appetite and strategy of the Manager and the Funds based on the following facts:

- The Manager is not listed;
- The legal, organisational, and internal governance structures of the Manager are not complex;
- The Manager has less than 10 Employees (including all members of the Board);
- The Manager has less than EUR1.25billion of Assets under Management; and
- The Manager delegates part of the day to day portfolio management function to a number of sub-investment managers and supervision of the performance of the sub-investment managers is undertaken by the Investment Committee members of the Manager.

RECORD KEEPING.

In line with the record-keeping requirements in the AIFM Rules, as well as the Remuneration Provisions, the Manager 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.

TRANSPARENCY.

External Disclosure

In line with ESMA Guidelines the Company shall disclose its independent Remuneration Policy statement in the annual report. This shall explain the manner how the Company is managing Remuneration Risk, whether variable Remuneration has been paid and on which criteria. The report should also include what form of variable remuneration (i.e cash, equity, options, long term incentive plans etc) is used. The content should also include Qualitative and Quantitative assessment used for assessing individual performance. Additionally, the allocation of deferred and non-deferred remuneration if any, for different staff categories should also be included in the report.

Relevant information on the remuneration policy shall also be disclosed on the audited financial statements and the Company's website in a clear and understandable way to relevant stakeholders.

The Manager shall also include information on how this Policy is consistent with the integration of sustainability risks and shall include such information on its website.

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.

REMUNERATION PRINCIPLES & MANAGER POLICIES.

Fundamental Considerations, Governance, and Independent Review

Principles

- The remuneration policy must be consistent with and promotes sound and effective risk management and does not encourage risk-taking that is inconsistent with the risk profiles, fund rules, offering documents, or instruments of incorporation of the Funds under management.
- The remuneration policy must be in line with the business strategy, objectives, values and interests of the Manager and the AIFs and UCITS, including measures to avoid conflicts of interest.
- The Board, in its supervisory function, must adopt and periodically review the general principles of the remuneration policy and is responsible for its implementation; provided that for so long as a person on the Board is involved in the portfolio management function or within the valuation function, the relevant individual shall not be involved in the design or implementation of this Remuneration Policy.
- The implementation of the remuneration policy must be, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Board.

Policies & Procedures

- Following consultation with the Chief Risk Officer and the Compliance Officer (the “**Control Functions**”), Ms Suzanne Wolf Martin (the “**Remuneration Official**”) has prepared and implemented this Remuneration Policy in accordance with the Remuneration Provisions. In doing so, the Remuneration Official and the Control Functions have determined that the Remuneration Policy is in line with the risk-profiles, long-term business strategy, objectives, values and interests of both the Manager and the Funds and does not encourage excessive risk-taking inconsistent with the foregoing considerations.
- Moreover, the provisions of this Remuneration Policy, together with the specific corporate governance structure of the Manager (including the clear distinction between operating and control functions as well as the skills and independence requirements of the members of each

particular function or committee), have been designed in a manner that ensures the avoidance of, insofar as is practically possible, all potential conflicts of interest between the Identified Staff and the interests of the Funds and their investors.

- The Remuneration Official is responsible for ensuring that this Remuneration Policy complies with the Remuneration Provisions and where appropriate should take into account all relevant guidance issued. In this regard, the Remuneration Official will periodically review the general principles of this Remuneration Policy to ensure that they remain up-to-date and in compliance with the Manager's remuneration obligations under applicable law. In doing so, the Remuneration Official 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 (as described below).
- The Control Functions shall, in consultation with the Remuneration Official, 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 the Remuneration Provisions (and all other applicable law and guidance), be carried out in light of legal and business developments as well as the Manager's experiences in its implementation.
- Pursuant to the Proportionality Principle, the Control Functions may choose to outsource the annual review to a qualified independent external consultant such as the Manager's outside legal counsel or auditor.
- The results of the annual review and any recommendations will be presented to the Remuneration Official by the Control Functions. The Remuneration Official shall promptly evaluate the results of the review, address any recommendations, and make any changes to the Remuneration Policy that he deems appropriate.
- All changes or material exceptions to the Remuneration Policy are to be approved by the Remuneration Official, whether in relation to the annual independent review or otherwise.
- 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 Remuneration Provisions (or any other applicable law or guidance), the risk-profiles of the Funds, the Manager's corporate governance structure, and generally all other relevant circumstances affecting the Remuneration Policy that might have changed since the last independent review.

Control Functions

Principles

- Staff engaged in control functions must be compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they

control.

- The remuneration of the senior officers in risk management and compliance functions must be directly overseen by the remuneration committee or by the governing body in its supervisory function.

Policies & Procedures

- The remuneration of the Control Functions is determined by the Remuneration Official in his sole discretion.
- The Control Functions shall provide appropriate input in setting the individual remuneration for other identified staff, particularly regarding the behaviour of the individuals concerned and the riskiness of the functions they perform. However, the Remuneration Official shall not involve or consult the Control Functions in discussions or decisions relating to the remuneration of the latter.
- In accordance with the Proportionality Principle, the Board (as the governing body and supervisory function of the Manager), shall determine its own remuneration although it shall take into consideration any recommendations made by the Control Functions and shall be able to substantiate any decision not to follow such recommendations. Any persons sitting on the Board and holding a portfolio management or valuation function may take part in meetings which discuss but shall not vote on any decisions to be taken regarding, the setting and implementation of the remuneration of Identified Staff.
- The Remuneration Official retains the right to award discretionary bonuses to the Control Functions, provided that this variable component of their remuneration shall be determined primarily by the attainment of their function-specific objectives, with any performance appraisal to be undertaken solely by the Remuneration Official. See also '*Remuneration Structure – Performance-Related Remuneration*' below.

Remuneration Structure – Performance-Related Remuneration

Principles

- The total amount of performance-related remuneration must be based on a combination of the assessment of the performance of the (i) individual; (ii) business unit or Funds concerned; and (iii) the overall results of the Manager. When assessing individual performance, financial as well as non-financial criteria are to be taken into account.
- The assessment of performance must be set in a multi-year framework appropriate to the life-cycle of the Funds in order to ensure that the assessment process is based on longer-term performance.
- The measurement of performance used to calculate variable remuneration components or pools of

variable remuneration components includes a comprehensive adjustment mechanism to integrate all types of current and future risks.

- Fixed and variable components of total remuneration must be appropriately balanced and the fixed component must represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration component.
- Variable remuneration must not be paid through vehicles or methods that facilitate the avoidance of the Remuneration Provisions.
- Guaranteed variable remuneration can only be awarded in exceptional circumstances and only in the context of hiring new Identified Staff and is limited to the first year of service.

When reviewing performance (Risk Takers) the following will be considered:

Qualitative	Quantitative
Employees to act honestly, fairly and professionally in the best interest of clients and investors	Overall funds' performance with appropriate stress testing
Individual performance relative to job requirements, with specific attention to stand out performance	Overall Company Performance
Attitude towards compliance with the Company's policies and procedures	Competitive market benchmarking data

In case of Control Function, the following shall be considered:

Qualitative	Quantitative
Achievement of Objectives related to their role	Breaches
Implementation of Compliance Culture	Number of additional hours dedicated to performing the role
Outcome of Compliance	Achievement of Efficiency

Policies & Procedures

- No variable remuneration shall be paid to Identified Staff unless it is determined to be justified by the Remuneration Official following a performance assessment based on quantitative as well as qualitative (non-financial) criteria. In conducting its performance assessments, the Remuneration Official shall seek the appropriate input of the Control Functions.
- The following are the key performance assessment criteria on which the variable remuneration of Identified Staff shall be based, although the Remuneration Official reserves the right to take into account additional criteria on a case-by-case basis:
 - (i) individual performance assessed on the attainment of function-specific objectives (depending on their role within the Manager), including risk-management performance (particularly with regard to the taking of risk-related decisions and the exercise of their functions in manner consistent with Manager's Risk Management Policy as well as the risk-profiles and long-term interests of the Funds) and general compliance with regulatory requirements;
 - (ii) aggregate performance of the Funds; and
 - (iii) attainment of the investment objectives of the Funds and the overall objectives of the Manager.

While each of the foregoing criteria shall be considered in performance assessments, variable remuneration shall be based primarily on the attainment of function-specific objectives.

- Poor performance as assessed by non-financial metrics such as poor risk management or other behaviours contrary to the Manager's values will generally override metrics of financial performance. In order to incentivise Identified Staff to manage risk appropriately, variable remuneration will be reduced when there (i) is reasonable evidence of employee misbehaviour or material error or (ii) has been a material risk management failure by an individual member or group of Identified Staff.
- The Manager must also ensure that the allocation of variable remuneration takes into account all types of current and future risks. The maximum annual variable remuneration that may collectively be paid to Identified Staff shall be the Manager's profit for the preceding year less a specified percentage of the same to be kept in reserve (the "**Variable Remuneration Pool**"). The reserve shall be established in order to strengthen the Manager's capital base, taking into consideration the various risks to which the Manager and its Funds are exposed (as outlined in greater detail in the Manager's Risk Management Policy) and other potential adverse developments that may impact the Manager's financial stability. The Board shall determine and document the percentage of profit to be kept in reserve on an annual basis, including the particular reasons for keeping such reserve.
- The total amount that may be disbursed in variable remuneration awards from the Variable Remuneration Pool shall be determined by the Remuneration Official in his sole discretion, based on his assessment of each individual member of the Identified Staff and any other

considerations that he may deem relevant. For example, the Remuneration Official may determine to disburse the entire Variable Remuneration Pool or none of it. Similarly, the Remuneration Official is entitled to award no variable remuneration to one or more Identified Staff when it feels that such an award would not be justified.

- The variable component of each individual member of Identified Staff's remuneration shall generally be no more than 45% of their total remuneration, although the Remuneration Official may in his discretion award variable remuneration in excess of this percentage provided that the variable remuneration awarded is justified and in line with this Remuneration Policy. In all cases, the fixed remuneration of Identified Staff must be sufficiently high on its own (without taking into consideration the variable component) to constitute fair remuneration for the professional services rendered by prevailing market standards.
- Variable remuneration will not be paid through vehicles or methods that facilitate the avoidance of the Remuneration Provisions.
- The Manager will award, pay, or provide guaranteed variable remuneration only in the context of hiring new Identified Staff and such remuneration will be limited to the first year of service.

Sustainable Finance Disclosure Regulation – (SFDR)

- SFDR requires the Company to include in this Remuneration Policy information on how the said Remuneration Policy is consistent with the integration of sustainability risks.
- As outlined in this policy, all individuals are remunerated with a fixed remuneration, with salaries being reviewed on an annual basis. No variable remuneration shall be paid to individuals unless it is determined to be justified by the remuneration official following a performance assessment based on quantitative (financial) as well as qualitative (non-financial) metrics, and behavioural competencies, including compliance matters. Considering the very limited impact of the variable remuneration of the individuals on the risk profile of the AIFs and the nature of the business of the Company, including, where applicable, the delegation of the investment management function of some AIFs to other third-party entities, the Company deems that there is no risk of misalignment with the integration of the sustainability risks, with the investment decision making process of the Company in respect of the AIFs.
- In the event that the Company generally delegates portfolio management activity to a third-party investment manager (the "delegate"), such delegate shall ensure that it adopts remuneration policies and procedures which are consistent with the integration of sustainability risks, provided that sustainability risks are integrated into the investment decision-making process. The Company shall seek periodic confirmations from each delegate that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability risks and remuneration is limited to risk adjusted performance.
- The Company believes that, where portfolio management is retained, its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.

Pension Policy & Severance Pay

Policies & Procedures

- The Manager does not currently have a pension policy for its Identified Staff.
- Severance pay of Identified Staff shall be determined on a case-by-case basis by the Board and shall be based on a risk-adjusted performance assessment covering the entire period of employment.

Personal Hedging Strategies

Principles

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

Policies & Procedures

- Subject to any exception that may be provided for in the Remuneration Provisions or under any other applicable law, Identified Staff are strictly prohibited from entering into any contract (including but not limited to a contract of insurance) with a third-party requiring payment from the third party to them, directly or indirectly, that is linked to the amount by which their variable remuneration may be reduced.
- All Identified Staff are required to undertake to the Manager in writing that they will comply with the above principle and the Manager's policy on hedging strategies. An e-mail from each member of the Identified Staff will suffice for this purpose. Breach of this undertaking will result in appropriate disciplinary action by the Board.

Approved by the Remuneration Official on the 15th July 2021.

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