

Lyxor Funds Solutions' Remuneration Policy

LYXOR Funds Solutions (hereafter "LFS"), a fund management company within the Lyxor Asset Management Group at 100% ("Lyxor") which is part of Société Générale. LFS observes the remuneration policy of the Société Générale Group, which seeks to make remuneration an effective means for attracting and retaining employees who contribute to the company's long-term performance while ensuring appropriate risk management and compliance on the part of all employees.

With respect to LFS, this policy takes into consideration the remuneration provisions of directives 2011/61/EU of the European Parliament and of the Council of 8 June 2011 (hereafter the "AIFM Directive") and 2014/91/EU of the European Parliament and of the Council of 23 July 2014 (hereafter the "UCITS V Directive"), which apply to the investment fund management sector.

1. Remuneration governance

LFS's remuneration policy is in line with the Société Générale group's remuneration policy and is reviewed annually. It is defined by the company's Executive Committee, on the recommendation of the Human Resources department of Lyxor. The LFS Board of Directors subsequently validates it, after consultation with the Remuneration Committee.

1.1 Remuneration Committee

LFS has set up a remuneration Committee, composed of permanent 2 members. It is composed of independent members of the supervisory function who do not perform executive functions in LFS. Members have appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to institutions' risk and capital profiles. Core missions of the Remuneration Committee are stated in the Remuneration Committee's Rule. The remuneration Committee accounts to the Board of Directors of LFS.

1.2 Annual compensation review

The annual compensation review of individual LFS employees is subject to the Société Générale Group's annual review process, which covers fixed remuneration and, if applicable, variable remuneration and/or performance shares.

This process is coordinated by Lyxor's Human Resources Department and requires validation by the business units, LFS' Executive Committee¹, the SG group's Human Resources Department, and lastly LFS' Board of directors. This process addresses the statutory and regulatory requirements in effect in Luxembourg and abroad.

1.3 The role of control functions

The control functions, in particular the Risk and Compliance departments, participate in the annual compensation review process as follows:

The Risk and Compliance departments assess risk and compliance management, and give their opinion on how the main risk takers address risk-management and compliance issues. This assessment is then taken into account to adjust variable remuneration pools and individual awards.

The independence of these control functions is guaranteed by a functional reporting to the Group's senior management. This governance system ensures that remuneration decisions are made independently and objectively.

¹ the Executive committee is composed of the conducting officers

2. General remuneration principles

2.1 Compliance with regulatory requirements

The LFS remuneration policy complies with all applicable regulations, notably:

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 (AIFM Directive);
- Directive 2014/91/UE of the European Parliament and of the Council of 23 July 2014 (UCITS V Directive);
- The rule enacted by Section 13 of the Bank Holding Company Act, implementing Section 619 of Dodd–Frank Wall Street Reform and Consumer Protection Act (called the “Volcker Rule”);
- Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (“MIFID”);

The remuneration policy addresses the above requirements by:

- Taking risk management into account when determining the total amounts available for variable remuneration and individual employee allocations:
 - using quantitative risk-adjusted financial indicators and market indicators to determine the amount of total variable remuneration;
 - taking into account risk and compliance management objectives, the observance of client interests and client satisfaction to determine individual employee allocations;
 - having the Risk and Compliance departments conduct an annual independent assessment of the risk and compliance management of the business units/entities that have a significant impact on LFS’ risk profile.

These mechanisms ensure that there is no direct link between commercial performance and variable remuneration.

- Taking risk management into account when determining deferred remuneration schemes.

2.2 Remuneration structure

All employees receive a fixed remuneration which may be supplemented with a discretionary variable remuneration and, if applicable, performance shares.

2.2.1 Fixed remuneration

Fixed remuneration is proportional to the employee’s level of responsibility, skills and professional experience. The level of fixed remuneration takes into account competitive levels of remuneration in the market.

2.2.2 Variable remuneration

Variable remuneration is not contractual but is allocated on a discretionary basis. It depends on the level of individual and collective performance and is based on predefined qualitative and quantitative factors. It takes into account the quality of risk management, compliance with regulations and the observance of internal compliance procedures. To prevent conflicts of interest, variable remuneration is not directly and solely correlated to commercial or financial results, but also takes the economic, social and competitive environments into account.

2.2.3 Société Générale performance shares

Performance shares serve to retain top-performing employees of support functions, with a special focus on key employees and top talent. They serve to remunerate not only past performance but also future potential.

3. LFS Identified Staff remuneration principles

3.1 Scope of the Identified Staff under the AIFM and UCITS V directives

The scope of Identified Staff at LFS comprises the following employee categories:

- the members of the Executive Committee;
- control function managers;
- compliance and internal control officers.

The LFS Risk and Compliance departments work with the Lyxor and Société Générale group's Human Resources Departments to determine the Identified Staff members among the specified scope of business units/functions and job titles.

The scope of Identified Staff is reviewed by Remuneration Committee and then validated by LFS Management Boards.

3.2 Structure of deferred variable remuneration

LFS applies deferred compensation arrangements to its Identified staff and also to nonidentified staff under certain conditions.

When the variable remuneration exceeds a certain threshold, the following applies:

Variable remuneration above a certain threshold	Vested component		Non-Vested component		
	Year Y		Year Y+1	Year Y+2	Year Y+3
Identified Staff (> 100 000 EUR)	(50%) Cash paid in March Y	(50%) LFS1 Index vested in March Y paid in Oct. Y	(1/3) Cash paid in March Y+1	(1/3) LFS1 Index vested in March Y+2 paid in Oct. Y+2	(1/3) LFS1 Index vested in March N+3 paid in Oct. N+3
Other Staff (>=105 000 EUR)	Cash paid in March Y		(1/3) Cash paid in March Y+1	(1/3) LFS1 Index vested in March Y+2 paid in Oct. Y+2	(1/3) LFS1 Index vested in March N+3 paid in Oct. N+3

For Identified staff under the AIFM and UCITS V directives:

- A non-vested component that must represent at least 40% of the variable remuneration and is deferred over a three years period with vesting on a *prorata temporis* basis. The non-vested component of variable remuneration is subject to presence and individual/collective forfeiture conditions.
- At least 50% of the variable remuneration indexed to the performance of an index of financial instruments, hereafter as the "LFS1 index" (see section 3.3 below), which represents 50% of the non-vested component and two thirds of the non-vested component. This means that the portion of the variable remuneration that is immediately paid in cash does not exceed 30%.

The financial performance conditions are reviewed and proposed annually by the Société Générale Group's Financial Department and are approved by the LFS Board of directors on the recommendation of the Remuneration Committee.

For Other staff members:

Beyond the scope of the AIFMD and UCITS V Identified staff; for the staff member with variable remuneration equal to or above 105 000 EUR, variable remuneration is deferred at a progressive rate over a three-year period vesting on a *prorata temporis* basis; indexation of part of the variable remuneration on the performance of an index of financial instruments; non-vested component subject to the same vesting requirements that apply to Identified Staff variable remuneration.

All the variable remuneration is subject of application of malus and claw back arrangements.

3.3 Indexing of a portion of the variable remuneration to the LFS1 Index

LFS1 index is composed of funds representing the activity and performance of LFS.

This Index allows to index some of the variable remuneration of Identified Staff and other eligible employees to the performance of a basket of relevant financial instruments. This indexing mechanism aligns employee interests with those of investors.

3.4 Creation of Index Committee and LFS1 index

Every year after closure of the Annual compensation review process, HRD of LFS must perform a check of variable remuneration of staff in order to detect if any employee has reached the threshold.

In the event when the first employee reaches the threshold defined, LFS proceeds as follows:

- ⇒ sets up an Index Committee to determine the composition and weighting of the funds constituting the basket of funds (or "LFS1 index") used as an instrument for indexing part of the variable remuneration;
- ⇒ determines the LFS1 index, composed of funds representing the activity and performance of LFS. The composition and valuation of the LFS1 index are validated by the Finance Department. This operation ensures an independent review of the composition, weighting and valuation of the index and thus prevents any conflict of interest.
- ⇒ implements an indexing mechanism on the LFS1 index for Identified and Unidentified staff that benefits from deferred variable compensation. This indexing mechanism on the performance of the funds making up the basket ensures that the interests of employees are aligned with those of investors.

The Index Committee should be held at least once a year as long as Identified staff will have a portion of their variable compensation indexed to the LFS1 Index and is composed of the following members:

- one representative of Société Générale Group HR Departement (HRCO/ECB)
- one representative of Société Générale Group Finance division (DFIN)
- one representative of Lyxor HR Department
- one representative of Lyxor Finance Department
- the CEO of Lyxor or one representative named by the CEO of Lyxor
- the CIO of Lyxor or one representative named by the CIO of Lyxor

LFS Remuneration Committee's Rules

1. OBJECTIVE

The Remuneration Committee is a sub-committee of LFS's Board of Directors (the "Board") and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of identified staff as defined under the Remuneration policy of LFS. The purpose of the Remuneration Committee is to ensure thorough and independent preparation of matters relating to compensation to identified staff.

In particular, the Remuneration Committee shall:

- oversee the implementation of this Policy and of its principles in a way that is proportionate to the size and internal organization of LFS and to the nature, scope and complexity of its activities, in line with generally accepted market practices;
- define the financial and non-financial criteria, i.e. the parameters to assess the performance of an individual in scope of this Policy;
- determine the remuneration of identified staff

2. ORGANISATION

The Board determines the instructions and composition for the Remuneration Committee.

The Remuneration Committee shall consist of at least two members of the Board.

The Chairman and the members of the Remuneration Committee shall be members of the Board who do not perform any executive function in LFS. The members and the Chairman of the Remuneration Committee shall be appointed by the Board for a two-year term.

The members of the Remuneration Committee shall be independent of LFS's day-to-day management. Further, the entire Board shall not act as the Remuneration Committee.

The Remuneration Committee shall have the authority to review any matter of the Group within the committee's scope of responsibilities.

In discharging its responsibilities under these instructions, the Remuneration Committee shall have full access to the records and personnel of the Group and shall have the opportunity to seek advice and recommendations from sources outside of the Group, if the committee deems that necessary.

3. MEETINGS

The Remuneration Committee will meet as often as it deems necessary, but normally 1 – 2 times every year. The Remuneration Committee will draw up an annual meeting plan. Interim meetings may be called if a member of the Remuneration Committee requires it.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting, including supporting documentation, shall be forwarded to each of the members and any other person required to attend the meeting no later than three days before the date of the meeting.

Draft minutes of the meetings shall be circulated to all members of the Remuneration Committee and shall be sent to the Board once they are in agreed form and have been signed by the Chairman of the Remuneration Committee.

4. RESPONSIBILITIES

The Remuneration Committee's primary responsibilities in providing assistance and facilitating the decision-making in the Board determining the recommendation to the Board for the remuneration to the identified staff.

At least once a year, a remuneration committee of the LFS reviews the remuneration system of LFS for its adequacy and compliance with all legal provisions.

The most important of the goals set during the personal assessment are sustainable business development and protection of LFS against excessive risks.

Above all, no incentives to take excessive risks should be created.