

VARENNE CAPITAL PARTNERS

Purpose	Remuneration
Date drafted	2014
Date revised	September 2020
Version	V8
Issuer	RCCI
Author	RCCI
Scope	VCP
Recipients	All employees

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I. Foreword

A. Purposes of the procedure

This document describes the remuneration policy applicable to Varenne Capital Partners.

It includes principles and obligations in relation to the AIFM directive, as well as those in relation to the UCITS V directive.

B. Regulatory references

- Directive 2009/65/EC (consolidated version)
- Article L.533-22-2 of the French Monetary and Financial Code
- Article 321-125 of the AMF General Regulation
- Article 319-10 of the AMF General Regulation
- Article 24 of Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012
- AMF position n° 2013-11 concerning remuneration policies applicable to alternative fund managers
- Common provisions concerning remuneration policies within management companies approved by AFG - AFIC - ASPIM and by the AMF Board on 23 November 2010
- UCITS V guide for management companies, published in July 2016
- ESMA remuneration guidelines of 14 October 2016

II. Definition of the “identified” population

A. Principles

The “identified population” within the meaning of the AIFM and UCITS V directives shall include employees meeting the following two conditions, or at least the second:

1. Belonging to a category of staff that may impact the risk profile as a result of the duties performed;
2. Having a gross variable salary of more than €200,000 (excluding sums paid in respect of incentive plans, profit sharing and employer contributions to an employee savings scheme).

B. Application to VCP

Work to identify risk takers has been performed by VCP in accordance with the terminology taken from AMF remuneration guidelines and in accordance with cumulative conditions as defined by VCP.

Definition of categories of staff who may impact the risk profile as a result of the duties performed

SCOPE OF STAFF CONCERNED			
Categories of staff existing within French portfolio management companies	Categories concerned	Any exclusions	Application at Varenne Capital Partners
Directors: Responsible directors Persons responsible for portfolio management	YES		YES
Persons responsible for support functions: Marketing Manager Human Resources Manager Administrative Manager Legal Manager Development Manager Financial Manager	NO		NO
Financial asset managers	YES		YES
Risk controller Internal controller RCCI	YES		YES
Business managers Investment managers Real Estate Asset Manager Management Assistants	YES	Unless the employee does not have a significant impact on the risk profile of the company or AIFs or mutual funds managed or their gross annual variable remuneration	YES

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		does not exceed €200,000.	
Middle Office Back Office	NO	Unless the employee has a significant impact on the risk profile of the company or AIFs or mutual funds managed and they have a high salary or gross annual variable remuneration exceeding €200,000.	
Employees in support functions (not managers): Marketing Human Resources Administration Legal Development	NO	Unless the employee has a significant impact on the risk profile of the company or AIFs or mutual funds managed and they have a high salary or gross annual variable remuneration exceeding €200,000.	

Other employees concerned

Each employee receiving remuneration equivalent to that of the “Executives and persons responsible for portfolio management” shall be included in the eligible population if it is proven that they have a significant impact on the risk profile of the management company concerned or UCIs managed.

III. VCP remuneration policy

A. Principles of the remuneration policy

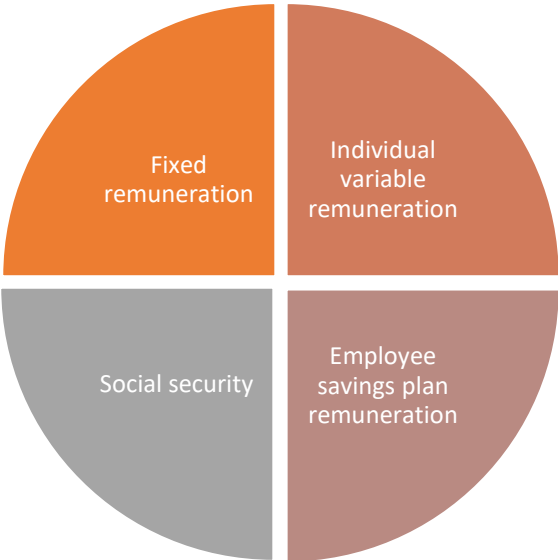
This chapter describes VCP’s general remuneration policy. It receives a contribution from control functions in order to verify that it complies with applicable standards and regulations.

Remuneration procedure

In general, remuneration policy is based on the company’s economic capability and individual performances in relation to the position held.

For all purposes, it is specified that the UCIs managed by the portfolio management company do not issue any carried interest shares.

Each employee has the right to all or some of these items of remuneration, depending on the responsibilities exercised and their place of work (chart not to scale).



This application of this remuneration policy is validated and verified and revised annually by Executive Management.

A summary is provided on the management company’s website, reference to which is made in the KIIDs and fund prospectuses.

Lastly, as of 2017, UCI annual reports state the total amount of fixed and variable remuneration paid, the aggregate amount of remuneration broken down by employee category and any changes made to this remuneration policy during the year.

B. Individual variable remuneration

With regards to individual variable remuneration, this is awarded (except for in the case of recruitment) on the basis of:

- 1) the company’s economic performance and total distributable amount as verified by the Management Committee,

2) the employee’s contribution to performance as assessed by the manager; assessment based primarily on:

- Results achieved, attitude, involvement, job development, tangible results on the basis of quantitative and qualitative criteria
- Managerial abilities
- Ability to manage strategic projects
- The employee’s value for the company
- The employee’s market value

Guaranteed variable remuneration is only possible in the exceptional case of staff recruitment and only for the first year.

IV. Terms of payment in relation to the identified population

A. Principle of proportionality at Varenne Capital Partners

Application of the principle of proportionality for Varenne Capital Partners is based on the following criteria:

The company’s characteristics	Varenne Capital Partners
Size	<ul style="list-style-type: none"> • Amount of equity in 2019: €16.9m No company debt. • Amount of assets under management at the end of 2019: €1.607bn • Number of employees in 2020: 22 plus 1 corporate officer
Internal organisation and type	<ul style="list-style-type: none"> • Unlisted management company, independent, no branches or subsidiaries • Legal structure: Simplified joint stock company (“SAS”) • Business activity: collective portfolio management only
Scope and complexity of activities	<ul style="list-style-type: none"> • A single portfolio management strategy applied via various vehicles (UCITS, FPVG, FPS) • Indirect distribution via life insurance distributors and platforms
Staff categories	<ul style="list-style-type: none"> • The portfolio management strategy is based on four performance drivers, each spearheaded by a specific team.

	<ul style="list-style-type: none">• A portfolio management committee meets weekly and makes decisions on a collegiate basis.
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- VCP is not a listed company;
- Number of employees (fewer than 25 employees);
- The legal structure is conventional with no particular complexities;
- Investment and divestment decisions are made by a Committee comprising responsible managers;
- The services provided are portfolio management, risk management and investment advisory;
- The duties of Chief Compliance and Internal Audit Officer and Risk Manager are assigned to two employees working full time.

B. Application to Varenne Capital Partners

Varenne Capital Partners applies the principle of proportionality and does not have a remuneration committee.

However, the following principles apply:

- Deferred payment of 50% of the bonus for persons concerned, 50% the first year in cash, 1/3 of 50% (16.67%) the second year, 1/3 of 50% (16.67%) the third year, and 1/3 of 50% (16.67%) the fourth year.
- Deferred remuneration
50% of variable remuneration paid to the persons concerned is deferred on the basis of remuneration paid in 2018 in respect of 2017 (N). This payment is deferred over a minimum of the next three years (N+1, N+2, N+3) i.e. for VCP 50% in N+1, 16.67% in N+2, 16.67% in N+3 and 16.67% in N+4.
- Risk is adjusted retrospectively for deferred variable remuneration with payment in N+2, N+3 and N+4 on a conditional basis;

For everyone where Varenne Capital Partners is financially able, which may if applicable result in deferred payment, i.e. a net loss and for the financial year and negative cash flow for Varenne Capital Partners.

For managing partners and analysts, this variable compensation is also conditional upon the employee's individual performance, which may if applicable result in the deferral or cancellation of payment

For Risk and Control functions:

Variable compensation is conditional upon achieving qualitative targets set by the line manager during a yearly interview. These targets relate for example to the quality of checks performed, compliance with regulatory standards, ethics, compliance of operations, and in no case to the performance of teams managed.

For other employees:

Variable compensation is conditional upon achieving quantitative and/or qualitative targets set by the line manager during a yearly interview. These targets relate for example to net inflows, observance of internal procedures, correct management of external requests, the number of complaints or completeness of client records etc.

- Deferred amounts (paid in N+2, +3 and +4) are indexed to the performance of I-EUR units of the four French-law UCIs managed by Varenne Capital¹, starting from the day the 50% is paid in cash (N+1).

This policy was validated by the AMF on 18 January 2018.

C. Verification of remuneration policy

The Chief Compliance and Internal Audit Officer is in charge of verifying that the remuneration policy is applied correctly by means of Varenne Capital's HR calculation and monitoring tools.

- Verification of staff concerned
- Verification of indexation of deferred amounts
- Verification of monitoring of amounts for each employee
- Verification of the application of individual terms for deferred payments.
- Verification of information in funds' annual reports.

¹ Varenne Value I-EUR, Varenne Selection I-EUR & Varenne Global I-EUR, unweighted average.