



## REMUNERATION POLICY

Procedure updated in February 2019

## REGULATORY FRAMEWORK

In its capacity as Portfolio Management Company, and more particularly as an AIF manager, Eurazeo Investment Manager must have a remuneration policy, the main provisions of which are described in the following regulatory references:

- Article L.533-22-2 of the French Monetary and Financial Code,
- Article 319-10 of the AMF General Regulations,
- Article 13 of Directive 2011/61/EU,
- Appendix II of Delegated Regulation 231/2013,
- ESMA Guidelines (ESMA/2013/232),
- The common provisions presented by the professional associations (AFG, France Invest and ASPIM) issued as professional rules by the AMF,
- AMF Guide on Remuneration - AIFM Directive, August 2013,
- AMF position no. 2013-11 on remuneration policies applicable to AIFMs.

In particular, to the extent that the Management Company has obtained the extension of AIFM authorisation on 10 December 2013, Annexe II of the Delegated Regulation specifies the elements to be covered by this remuneration policy and the applicable rules.

## OBJECTIVES

In order to ensure that it does not constitute a source of risk for the Management Company, the objective of this policy is to describe the organisation and principles in force within Eurazeo Investment Manager with regard to the remuneration of its employees.

In this context, the Management Board of Eurazeo Investment Manager (the 'Management Board') is notably in charge of human resources management (recruitment, career development of employees, profit sharing, etc.), with the main objective of maintaining a quality management team while not encouraging risk taking.

In addition, the Supervisory Board of Eurazeo Investment Manager (the 'Supervisory Board') is consulted in advance by the Management Board for an opinion and agreement on the annual operating budget of Eurazeo Investment Manager.

The compensation policy for employees and risk takers is set and supervised by the Supervisory Board.

Its role is to:

- Ensure that the general provisions on compensation governance are properly applied to all employees, including risk takers;

- Take into account the contributions of each to the strategy, objectives, values and interests of Eurazeo Investment Manager ('AIFM') and funds managed by Eurazeo Investment Manager ('AIF');
- Approve each year the compensation policy applicable to all employees of Eurazeo Investment Manager, including members of the Management Board, for year N;
- Approve any waiver or change to the policy;
- Monitor the effects of this policy over time and adjust it, if necessary.

The Management Company maintains a Remuneration Committee at least annually, the characteristics of which are detailed in the remainder of the document.

This policy specifies the rules for calculating and paying the total compensation allocated by the Management Board in respect of a given financial year to employees of Eurazeo Investment Manager, this global amount including the fixed and variable compensation of employees.

These rules comply with applicable internal, legal and regulatory constraints, and in particular:

- The guidelines (search for consistency, equity, cohesion, stability, visibility) set in this area by the shareholders,
- The practises in force in the private equity sector, in particular the common provisions on remuneration policies within management companies published by France Invest,
- ESMA Guidelines No. 2013/232 and the regulatory references referred to in the preamble to this document, in particular regarding alignment of interests between investors and AIFMs and the lack of incentives for risk taking.

## **GENERAL PRINCIPLES COMPENSATION COMMITTEE**

The Remuneration Committee has the following characteristics:

- It is composed in particular of members of the Management Board, a member of the Supervisory Board of Eurazeo and independent members. It meets at Eurazeo Investment Manager in the presence of the Head of Compliance and HR.
- He is responsible for approving and complying with Eurazeo Investment Manager's compensation policy and oversees its implementation. The Remuneration Committee is responsible for:
  - o Validate the calculation method and the overall amount of the variable portion to be allocated;
  - o Validate the principles to be applied in terms of salary increases, changes in functions and the allocation of the variable portion;

- Validate the individual amount of the variable portion of the remuneration according to the objectives set and the qualitative and quantitative criteria to be applied;
- Ensure that variable compensation is not derived from instruments or methods that would circumvent this remuneration policy.

Thus, the Compensation Committee validates the total amount allocated to employees and the individual amounts allocated to corporate officers.

## DISTINCTION BETWEEN FIXED AND VARIABLE COMPENSATION

The fixed portion of the compensation of employees represents the majority of the total compensation of employees and is decorrelated from the performance of managed AIFs:

- It is significant enough to remunerate the latter with regard to the obligations related to the definition of their position, the required level of competence, the responsibility exercised and the experience acquired,
- The level of fixed compensation is in line with market practices in the asset management sector in France.

The variable portion of the remuneration is assessed on the basis of the achievement of objectives. It remunerates the performance of the employees concerned with regard to qualitative and quantitative criteria, taking into account the overall performance of Eurazeo Investment Manager and the gains actually achieved during the reference year.

These rules are designed in such a way that the level of total variable compensation awarded is linked to the wealth created by Eurazeo Investment Manager over the long term, and that these rules also allow an alignment of interest between the Management Company and the subscribers of investment vehicles managed by Eurazeo Investment Manager.

In any event, fixed compensation represents a sufficiently high proportion of total compensation and does not encourage excessive risk taking by employees.

The practice of guaranteed bonuses not linked to the performance of an employee is prohibited, except exceptionally, when an employee is hired outside the Group, in which case the guarantee is limited to one year from the date of employment.

## SCOPE OF APPLICATION OF THE RULES ON REMUNERATION: THE PERSONS CONCERNED

The general principles detailed in this policy apply to all Employees (including staff not identified as risk taker).

The following provisions apply only to 'risk takers' within the meaning of the AIFM Directive: The latter are identified with regard to the functions performed but also their overall level of remuneration, in particular if their professional activity may have a significant impact on the risk taking of the Management Company and/or the AIFs managed.

'Risk takers' are employees who perform the following functions:

- Members of the Management Board,
- The Partners, Managers and Investment Managers, actively participating in the investment and valuation processes of the portfolios,
- The control functions, namely the RCCI,
- The Corporate Development Director as well as senior sales staff, due to customer relationships and compensation in the same range as risk takers,
- The Chief Financial Officer, having the power to sign commitments and related transactions.

## EXTENSION OF THE RULES ON REMUNERATION TO DELEGATEES

ESMA guidelines 2013/232 have extended the rules on remuneration to those to whom Eurazeo Investment Manager delegates management activity.

To this end, Eurazeo Investment Manager has drawn up, in addition to its policy, a dedicated questionnaire to justify and supervise any delegation of management granted to a third party Management Company. In particular, it ensures that the delegatee complies with general rules considered appropriate and appropriate with regard to remuneration, in order to ensure that the management delegation has not been put in place to circumvent the rules relating to remuneration.

This questionnaire is communicated to the delegates and, once completed, is kept by the Management Company in the relevant files. The results of this questionnaire are available to the AMF.

The questionnaire is updated regularly because, in accordance with the AIFM Directive, the Management Company has a right of information, inspection, admission and access, as well as a right to give instructions to and monitor the delegate.

## EVALUATION OF THE REMUNERATION POLICY

The remuneration policy and the identification of risk takers are assessed at least annually and from time to time by the RCCI and by the Remuneration Committee.

They ensure that the remuneration policy is:

- On the one hand, consistent and promotes sound and efficient risk management and does not encourage risk taking that is incompatible with the risk profiles, rules or instruments of incorporation of the AIFs managed,
- On the other hand, consistent with the economic strategy, objectives, values and interests of the Management Company and the AIFs it manages or those of the unitholders or shareholders of the AIFs, and includes measures to avoid conflicts of interest.

## SPECIAL RULES ON VARIABLE COMPENSATION

### 1.1 Methods for determining variable compensation: Annual assessment of employees

An annual evaluation of all employees is carried out by each of the direct line managers in order to assess the results in terms of individual and collective performance. This assessment is reviewed by the employee concerned as well as by a member of the Management Board or the HR Department.

It sets quantitative, qualitative and managerial objectives to be achieved at the beginning of the year. It may take into account a multi year performance.

The qualitative criteria are based on individual objectives set during the Annual Interviews An EAA and documented by means of a digital assessment sheet.

### 1.2 Terms and conditions of payment of variable remuneration

Variable compensation paid to employees in respect of fiscal year N is paid no later than March N +1, in addition to their fixed compensation.

### 1.3 Variable compensation ceiling

Eurazeo Investment Manager reserves in its financial statements for the financial year N an amount corresponding to the total sum of variable compensation.

This amount is proposed by the Management Board in accordance with the provisions of the company agreements in force at Eurazeo Investment Manager.

The Supervisory Board and the Remuneration Committee ensure that these provisions are implemented and complied with.

## COMPLIANCE WITH THE REQUIREMENTS INTRODUCED BY THE AIFM DIRECTIVE

Eurazeo Investment Manager has defined the terms and scope of application of the remuneration rules that take into account the size, internal organisation, nature, scope and complexity of its business.

### **1.1 Staggered payment**

With regard to the payment of at least 40% of variable compensation on a staggered basis, the compensation policy includes the existence of deferred variable compensation for bonuses in excess of 100000 €, a reference threshold beyond which a 3 year deferral is implemented with a settlement by third parties (payment in cash, or possibly in financial instruments linked to the performance of the funds).

### **1.2 Payment in units of funds or related financial instruments**

Eurazeo Investment Manager complies with ESMA guidelines through its carried interest mechanism.

It should be noted that the carried interest allocated to the persons concerned comes from an 'excess return' of the AIFs managed.

This type of carried interest has the following characteristics:

- The obligation to take personal financial risk;
- The existence of a threshold commonly referred to as 'Hurdle';
- The conditional nature of access to capital gains (conditional on a very long term and potentially quite high yield)

The personal investment in carried interest units of the persons concerned corresponds to a risk alignment factor with those of the AIFs managed. Indeed, this type of carry provides from the outset for a deferred payment allowing an alignment of interests between investors and those concerned.

Furthermore, the performance of carried interest units is never known in advance and depends on the performance of the relevant Fund at its maturity. There is therefore an alignment of interests between investors and risk takers.

The allocation to carried interest units is determined by the Management Board and then submitted to the Supervisory Board for approval and implementation.

The Management Company intends to distinguish the concept of variable remuneration from carried interest units. Although variable remuneration may be paid each year, the possibility of subscribing to carried interest units depends on fund raising. It is therefore possible that no carried interest share will be allocated over several financial years.

Carried interest units are carried over a given period at the end of which they are considered to be definitively acquired by the persons concerned.

In any event, Eurazeo Investment Manager remains responsible for assessing its own characteristics, developing and implementing its compensation policy and practices.

These aim to ensure that the remuneration of the Management Company's employees is appropriately aligned with the risks incurred and that adequate and effective incentives are provided to its employees so as not to encourage risk taking.

## TRANSPARENCY

This remuneration policy is available to the AMF and the IRPs (Personnel Representative Bodies). It is available to all Eurazeo Investment Manager employees on the network.