

CANDRIAM – REMUNERATION POLICY STATEMENT (JANUARY 2019)

APPROVED BY THE BOARD OF DIRECTORS OF CANDRIAM ON DECEMBER 5, 2014

LAST MODIFICATIONS APPROVED BY THE CANDRIAM REMUNERATION COMMITTEE ON JANUARY 31, 2019

1 Introduction

This Remuneration Policy Statement applies to remuneration within Candriam Luxembourg, Candriam Belgium, Candriam France and Candriam Switzerland (each a “**Candriam Entity**” and together “**Candriam**”)¹.

It takes into account Candriam’s business strategy, objectives, risk tolerance, and the long-term interests of Candriam’s clients, shareholders and employees. It also seeks to promote sound and effective risk management and behaviour which is consistent with the risk profile, strategy, objectives and values of the managed funds.

The employees of Candriam are its key assets. Candriam’s objective is **to operate an appropriately tailored remuneration policy** which is linked to the achievement of a combination of individual, team and corporate goals. It should also be competitive versus peers to attract, motivate and retain talents while ensuring that remuneration is consistent with sustainable business development.

The remuneration package is **reviewed annually** after an individual evaluation of each employee. It takes into account the results of this evaluation, the financial results of Candriam and the relevant team as well as the evolution of the employment market.

2 General principles

2.1 Supporting business strategy, objectives, values and long-term interests of Candriam and its clients

Candriam’s overarching objective is to provide long term investment performance to its clients. The Remuneration Committee ensures that Candriam’s remuneration philosophy supports its business strategy and, where appropriate, the strategy of the managed funds.

Candriam’s remuneration philosophy aims to (i) attract and retain the best skills and talent by offering competitive packages and differentiating among employees on the basis of performance; (ii) foster employee engagement by rewarding fairly and consistently across businesses, teams and individuals and (iii) strengthen its leadership by rewarding performance as the combination of both results and behaviours.

2.2 Risk management and risk tolerance

Candriam aims to provide an appropriate remuneration environment and to ensure that employees are not incentivised to take inappropriate and/or excessive risks including risks which are inconsistent with the risk profile of Candriam and, where appropriate, the managed funds.

The size of all bonus pools can be adjusted by Candriam on a discretionary basis. In particular, bonus pools can be adjusted by taking into account certain risk and compliance factors which are set and monitored by Candriam’s internal control functions.

¹ Where the terms of an employee’s contract of employment conflict with this Remuneration Policy Statement, the relevant contract of employment shall prevail.

The distribution of bonuses at an individual level is also subject to discretion. Such discretion notably enables risk and compliance considerations to be taken into account at all appropriate management levels.

2.3 Balanced remuneration

Fixed and variable components of total remuneration paid by Candriam to its employees are appropriately balanced and the fixed component is high enough to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component.

Candriam adheres to a clear distinction between the criteria used for setting basic fixed remuneration and variable remuneration. Basic fixed remuneration primarily reflects the relevant professional experience and organisational responsibility. Variable remuneration primarily reflects the employee's performance, including their performance in excess of that required to fulfil their job description.

2.4 Guaranteed Bonuses

Guaranteed variable remuneration is not permitted unless it is exceptional, occurs in the context of hiring new staff, is limited to the first year of a new employee's service, and is paid at a time when Candriam has a sound and strong capital base.

2.5 Termination Payments

Payments relating to the termination of an employment contract must reflect performance achieved over time and be designed in a way that does not reward failure.

2.6 Pension policy

Candriam will ensure that its pension policy is in line with the business strategy, objectives, values and long-term interests of Candriam and, where appropriate, the managed funds. Candriam's current pension policy does not provide for the possibility to pay discretionary pension benefits, including to employees leaving Candriam.

2.7 Personal Investment Strategies

The staff of Candriam is prohibited from entering into personal hedging strategies or other arrangements which undermine the risk alignment effects embedded in Candriam's remuneration policy.

Candriam will not pay (and will not support/accept the payment of) variable remuneration through vehicles or methods that facilitate the avoidance of the requirements of this policy and applicable laws.

3 Performance evaluation process

The Human Resources department of Candriam manages the yearly performance evaluation process based on qualitative and quantitative measures, including the achievement of pre-established objectives and the employee's professional and personal skills.

The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of his/her business unit and the overall results of Candriam. When assessing individual performance, Candriam will take into account both financial and non-financial criteria.

To the extent necessary, Candriam will set the evaluation of performance in a multi-year framework appropriate to the life-cycle of the funds it manages, where applicable, in order to ensure that the performance evaluation process is based on longer term performance.

Qualitative performance evaluation includes the evaluation through a range of factors like risk management, governance and compliance, teamwork, people leadership, people development and alignment to Candriam's goals and values.

For **Fund Managers and Analysts**, the performance of funds as well as the underlying factors influencing fund performance such as the market environment and the risk management, the attitude towards clients, the fund competitive position and the evolution of AuM are key factors in the appraisal.

For **Sales**, the net new cash as well as the underlying factors influencing the sales performance such as the market environment, the ability to retain existing assets, team management and leadership are key factors in the appraisal.

4 Overview of the Remuneration Package

Remuneration currently includes base salary, benefits and an annual performance bonus.

Front Office		Sales People	Support Functions	Executive Directors	Internal Control
without perf. fees	with perf. fees				
Base Salary	Base Salary	Base Salary	Base Salary	Base Salary	Base Salary
Benefits depending from location, function and performances					
Bonus Pool	Bonus Pool	Bonus Pool	Bonus Pool	Bonus Pool	Bonus Pool
Quantitative + Qualitative Based on Performance	Quantitative + Qualitative Based on Performance	Quantitative + Qualitative Based on Profitability of NNC	Qualitative	Qualitative	Qualitative

4.1 Base Salary

The base salary is **reviewed annually** after an individual evaluation of each employee. It takes into account the results of the employee evaluation and the evolution of the employment market.

On top of these individual increases, some specific rules linked to each country's legal / contractual system have to be applied.

4.2 Variable remuneration – Incentive Plan

All Candriam employees may benefit from an annual variable remuneration incentive that takes into account Candriam's results, team performance, individual qualitative and quantitative performance, and overall individual contribution to the success of the company. Some of the principles applied may be different depending on the employee's business line, level of responsibility, level of remuneration and country in which he or she is located.

Additionally, Candriam employees may also participate, at the discretion of the Remuneration Committee, in any of the following bonus plans:

- the Restricted Stock Unit (the “RSU”) Plan;
- the Employee Share Plan (the “ESP”) eligible (the “**Bonus Plans**”).

Any variable remuneration described in this Section is subject to the general principles laid down in Section 2 (notably the guaranteed bonus prohibition of Section 2.4) and to the evaluation process laid down in Section 3.

4.2.1 System specific to Front Office (Fund Managers & Analysts)

The bonus for Fund Managers and Analysts is determined both on:

- **Quantitative** assessment based notably on:
 - Relative performance of funds and mandates versus benchmarks
 - Performance fees pool, if applicable
 - Fund performance and the way performance is achieved
 - Alpha identification, namely assessing possible market effect (beta) and manager effect (alpha)
 - Fund competitive position
 - AuM and capacity to raise assets for the strategy...
- **Qualitative** assessment based notably on:
 - Compliance with all applicable compliance/risk management/operational procedures
 - The consistency and alignment of the manager to the Candriam strategy
 - Quality of investment process & strategy and documentation
 - Involvement in team work,
 - Attitude towards Clients

The detailed systems are depending on the funds and mandates managed.

For Fund Managers managing funds and/or mandates with performance fees, the bonus pool is **notably linked to net performance fees** according to the following system:

- A **quantitative part of 10% net** (up to 15% in certain cases) of the performance fees (employers’ contribution are in addition).
- A **qualitative part from 0% to 10% net** (up to 15% in certain cases) of the performance fees (employers’ contribution are in addition).

Subject to the general principle of balanced remuneration (see Section 2.3 above) the variable remuneration linked to performance fees has no ceiling (industry practice).

The bonus pool is then allocated on a discretionary basis between the team members depending on their appraisal.

In addition, discretionary bonuses based on qualitative assessments may be added.

For Fund Managers managing funds and/or mandates without performance fees, the bonus pool is linked to a combination of quantitative indicators and qualitative indicators.

It is calculated based on the assets under management, the revenues (management fees), the ranking on the 3 years risk adjusted performance and the ranking on 1 year performance. The indicative bonus pool is adjusted based on qualitative indicators mentioned above.

The bonus pool is then allocated on a discretionary basis between the team members depending on their appraisal. The appraisal is based on quantitative and qualitative criteria adequately balanced and takes into account:

- The contribution to the results (Performance & AUM gathering)
- Compliance with all applicable Compliance, risk management and operational procedures
- The consistency and alignment of the manager to Candriam's strategy
- Involvement in team work
- Client oriented approach and representing Candriam externally

In addition, discretionary bonuses based on qualitative assessments may be added.

4.2.2 System specific to Institutional Sales People

The bonus allocated to Institutional Sales People is notably linked to the profitability of the Net New Cash they collected during the year, according to the following system:

- A **quantitative** part of **10% net** of the annual net revenue on the Net New Cash generated by each individual (employers' contribution in addition);
- A **qualitative** part from **0% to 10% net** of the annual net revenue on Net New Cash generated by the team (employers' contribution in addition). The amount is split among members of the team using amongst others the following criteria:

Corporate attitude, towards clients, compliance with all applicable compliance, risk management and operational procedures, involvement in teamwork, support to revenue generated elsewhere and other forms of contribution to the reputation and success of the business, consistency and alignment to the Candriam Strategy.

4.2.3 System specific to Support Functions

The bonus pool available for Support Teams is determined in a **discretionary** manner with a top down approach.

The bonus pool is then allocated on a discretionary basis between "Support" staff depending on their individual as well as business line and team evaluation based on the following criteria: KPIs and budget, Efficiency and Costs, Client orientation and individual achievements.

4.2.4 System specific to members of the management body of the Candriam Entities

The bonus pool available for members of the management body of the Candriam Entities is determined in a **discretionary** manner with a top down approach.

The bonus pool is then allocated on a discretionary basis between the members of the management body of the Candriam Entities depending on their contribution to Candriam's profitability and performance in accordance with the general principles set out in Section 2 above.

The Board of Directors of the relevant Candriam Entity approves the proposed bonuses and salary increases made by the Remuneration Committee for the members of this management body.

4.2.5 System specific to employees who participate in any of the Bonus Plans (RSU and/or ESP)

Participation in those Bonus Plans will be determined on the basis of the performance assessment of the relevant employees on the basis of the criteria set out in sections 4.2.1 to 4.2.4.

Employees that are entitled to participate in a Bonus Plan may be granted restricted stock units or fully paid Class B ordinary shares of Candriam Luxembourg.

Shares will be subject to sales restrictions and Candriam may require the relevant employee to sell the shares on leaving employment at a price provided for by the rules of the relevant Bonus Plan. Restricted stock units lapse on leaving employment.

Any payment under the Bonus Plans will be subject to appropriate malus and/or clawback provisions.

4.2.6 Deferral of variable remuneration above a specific threshold

The rules set out below do not apply in the event that the variable remuneration of an employee on a given year is lower than the higher of (i) €100,000 or 30% of the fixed remuneration of that employee on the same given year.

The general principles of deferral of variable remuneration are the following:

- All bonuses over the thresholds above will be partially deferred;
- 50% of the total amount is paid in cash, at the latest in March following the year of reference (40% for High Earners);
- 50% of the total amount is deferred over 3 years (60% for High Earners).

The deferred part of the bonus (50% of the total variable remuneration) will in principle be split evenly over the 3 years of deferral: 16.66% of the total variable remuneration in year 2, 16.66% in year 3 and 16.66% in year 4.

In year 2 and 3, the bonus in cash is indexed on a basket of funds as described below (phantom funds).

In year 4, part or all of the deferral is paid with Candriam equities. These equities have a vesting period of 3 years (ESP plan).

If enough equities are available, the part paid in equities should represent maximum 16.66% of the total variable remuneration. If the proportion of equities is below 16.66%, the difference between 16.66% and the percentage of Candriam equities will be paid in cash indexed on a basket of funds (phantom funds).

	Year 1 Variable Remuneration	Year 2 Variable Remuneration	Year 3 Variable Remuneration	Year 4 Variable Remuneration	
Proportion of remuneration *	50% (40% for High Earners)	16.66 % (20% for High Earners)	16.66% (20% for High Earners)	0 to 16.66% (0 to 20% for High Earners)	0 to 16.66 % (0 to 20% for High Earners)
Instrument	Cash	Performance-indexed cash between Year 1 and the relevant vesting date.	Performance-indexed cash between Year 1 and the relevant vesting date.	Performance-indexed cash between Year 1 and the relevant vesting date.	Candriam Luxembourg Class B Shares
Vesting conditions	N/A	Vests on the first anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the second anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration
Retention conditions	None	None	None	None	Yes
Post allocation adjustment	None	Yes	Yes	Yes	Yes

* These proportions may be different for the members of the management body of the Candriam Entities – see specific considerations below.

Specific additional considerations for members of the management body of the Candriam Entities:

The part of the deferred remuneration paid in Candriam equities, if any, may be higher for the members of the management body of the Candriam Entities, depending on the total number of equities available under the ESP plan.

If enough equities are available, the part paid in equities should represent maximum 33.33 % of the total variable remuneration and will be paid in year 4.

If the proportion of equities available is below 33.33% of the total variable remuneration, the part in equities will be paid in year 4 and the difference between 33.33% and the percentage of Candriam equities will be paid in year 3 in cash indexed on a basket of funds (phantom funds) up to 16.66 % and the remaining part in year 4, as the case may be.

	Year 1 Variable Remuneration	Year 2 Variable Remuneration	Year 3 Variable Remuneration		Year 4 Variable Remuneration	
Proportion of remuneration *	50% (40% for High Earners)	16.66 % (20% for High Earners)	0 to 16.66% (0 to 20% for High Earners)	0 to 16.66 % (0 to 20% for High Earners)	0 to 16.66% (0 to 20% for High Earners)	0 to 33.33 % (0 to 40% for High Earners)
Instrument	Cash	Performance-indexed cash between Year 1 and the relevant vesting date.	Performance-indexed cash between Year 1 and the relevant vesting date.	Candriam Luxembourg Class B Shares	Performance-indexed cash between Year 1 and the relevant vesting date.	Candriam Luxembourg Class B Shares
Vesting conditions	N/A	Vests on the first anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration	Vests on the third anniversary date of the granting of the Year 1 Variable Remuneration
Retention conditions	None	None	None	Yes	None	Yes
Post allocation adjustment	None	Yes	Yes	Yes	Yes	Yes

Specific additional considerations for Fund Managers:

Fund managers will be able to index their deferred part of the bonus on one of the following options:

- 100% indexation on one of the funds they manage or
- 50% indexation on one of the funds they manage and 50% indexation on the Basket of Funds, or
- 100% indexation on the Basket of Funds.

Principles for the Basket of Funds:

The composition of the Basket of Funds is reviewed by the management body of the Candriam Entities on an annual basis. The composition remains unchanged during the year, but can be adapted in case of launch or closing of funds.

The valuation of the Basket of Funds is done by the Finance team, and takes into account the gross performance of the funds.

The Basket of Funds is a “phantom basket” (no effective investments in funds by the individuals, only for indexation purposes).

The Year 2, Year 3 and Year 4 Variable Remuneration will vest subject to the financial situation of Candriam and the performance of the individual concerned. Awards can be considerably reduced and even reduced to zero where subdued or negative financial performance of Candriam taking into account notably current compensation and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

4.3 Benefits

Depending on location and function, some fixed benefits can also be granted to employees. Candriam does not grant variable benefits to its employees.

These fixed benefits include, among others: seniority awards (depending on length of service), cars, family events awards, pension plans, French mandatory and voluntary profit sharing agreements (*participation et intéressement*)², lunch vouchers, participation to transports costs, health insurance, death insurance.

Those benefits vary according to the legal obligations of each country, and can be reviewed/amended from time-to-time by the relevant Candriam Entity.

5 Special rules for internal control functions

Candriam's internal control functions (Internal Audit, Risk Management and Compliance) operate independently of the business units they supervise.

Incentive remuneration for internal control function staff is intended to be sufficient to attract and retain qualified and experienced employees and to avoid conflicts of interest. The incentive remuneration is driven by Candriam's earnings, the market value of the role, and the individual's skill set and performance (based on function specific objectives). It is not based on the performance of the business unit which is directly supervised by the relevant internal control function employee.

Individual performance is reviewed through the performance appraisal process which includes whether employees achieve certain objectives linked to their functions, independent of the performance of the business areas they supervise. Individual behaviours are also taken into account during the individual assessment process.

The remuneration of the senior officers in internal control functions is directly overseen by the Remuneration Committee.

6 Identification of "identified staff"

In accordance with applicable laws and regulations, each Candriam Entity shall identify its employees who qualify as "identified staff" ("**Identified Staff**").

² These agreements pursuant to which employees collectively benefit from the [results or performance] of Candriam France, do not constitute variable remuneration as they are part of a general, non-discretionary, Candriam France-wide policy and are not an incentive to take risks.

The decision that a given employee is to be considered as Identified Staff is taken by HR and, for senior executives of Candriam, by the Board of Directors of the relevant Candriam Entity. The criteria used by Candriam to determine whether employees are Identified Staff include the following:

- (i) the employee is a member of a governing body of a Candriam Entity;
- (ii) the employee is a senior manager who effectively conducts the business of a Candriam Entity;
- (iii) the employee is in a control function, including risk management, compliance and internal audit;
- (iv) the employee is a “risk taker”, including:
 - (a) employees (such as sales person, individual traders and specific trading desks) capable of entering into contracts or positions that materially affect the positions of Candriam or the funds it manages;
 - (b) employees whose activities could potentially have a significant impact on the results of Candriam and/ or its balance sheet and/ or the performance of the funds it manages.
 - (c) employees whose remuneration takes them into the same remuneration bracket as the categories above, and who have a material impact on Candriam or the funds it manages.

An employee that falls within one of the above categories would not be considered as Identified Staff if it is demonstrated that his professional activities do not have a material impact on the risk profiles of Candriam and the funds it manages.

The remuneration of Identified Staff shall comply with applicable laws and regulations relating to remuneration policies in the financial sector. The content of this Remuneration Policy Statement (notably Section 4.2.6 on deferral) has been drafted accordingly.

7 Governance

It is the responsibility of the Board of Directors of each Candriam Entity to adopt, periodically review and implement the general principles of Candriam’s remuneration policy. At least once per year, the implementation of Candriam’s remuneration policy is subject to central and independent internal review.

Candriam has established a group Remuneration Committee for the three Candriam entities. It is composed of non-executive directors who can exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk. Members of the Remuneration Committee are not remunerated by Candriam.

The Remuneration Committee meets at regular intervals to review the implementation of Candriam’s remuneration policy. In particular, the Remuneration Committee reviews employees’ remuneration and ensures consistent and fair application of the remuneration policy within Candriam as well as compliance with applicable regulatory rules and recommendations with regard to remuneration. When preparing decisions regarding remuneration, the Remuneration Committee takes into account the long-term interests of shareholders, investors and other stakeholders in Candriam and the public interest.

8 Delegation

In accordance with the ESMA Guidelines on sound remuneration policies under the UCITS Directive and under AIFMD, Candriam, in order to ensure that the remuneration rules are not circumvented, undertakes that in case of delegations of investment/portfolio management functions (including risk management), it will ensure that:

- the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under these guidelines; or
- appropriate contractual arrangements are put in place with entities to which investment management activities have been delegated.