



**12. Remuneration**

**12.1. Remuneration - Policy**

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**12. Remuneration****12.1. Remuneration - Policy****1. Process Overview****1.1. Purpose**

The purpose of this procedure is to explain the internal controls implemented by ECE Real Estate Partners S.à r.l. (the “AIFM”) in order to meet the remuneration policies and practices as required by article 12 and Annex II of the law dated 12 July on Alternative Investment Fund Managers (the “2013 Law”).

**1.2. Principles**

The AIFM remuneration policy is based on the following general principles:

- Alignment with the strategy of the AIFM and its long-term objectives. Therefore, performance management is applied on a multi-year framework.
- Provide for an appropriate balance between fix and variable remuneration elements.
- Sets caps on variable amounts and ensures that for significant bonuses settlements are deferred over time and aligned with the period over which the value added they are due for will accrue.
- Payment of variable remuneration is voluntary. The AIFM reserves the right to postpone payment of variable remuneration in part or completely if the situation deteriorates markedly and in particular if it can no longer be assumed that its continuation can be assured immediately or in the future.
- Provide for reimbursement (claw back) of bonuses, later on, to have been based on fraudulent data or non-accomplished performances. This can occur if:
  - internal regulations have been breached
  - economic performance is negative
  - there is a failure of risk management
- Prevent conflicts of interest, specifically regarding the ability of the AIFM to have sound risk management and investors protection principles in place.
- Ensure that contractual severance payment for prematurely ended contracts reward effective performances rather than failures.
- Ensure that staff engaged in financial and risk control functions are compensated in a manner that is independent of the responsibilities they oversee and commensurate their role in the AIFM.

This remuneration policy is laid down so that the solid and effective risk management of the AIFM can be taken into account and no incentives are given for undue risk-taking.

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The remuneration policy is also in line with the business strategy, goals and values and long-term interests of the AIFM.

**2. Salaries of Employees****2.1. Fixed annual salary**

The fixed annual salary resulting from the agreement in the individual contract reflects the grade of the function continuously exercised. It corresponds to the monthly salary x 12.

Changes to the fixed salary are made at the suggestion of the management based on the assessment of the individual's performance and sustained success, and changes in market conditions within the framework of the powers laid down for the AIFM to increase salaries.

**2.2. Variable remuneration**

Variable remuneration is a voluntary annual payment made by the AIFM. It recognises the individual and team performance of a staff member for a particular financial year and does not carry any pension rights.

The employees' performance is appraised on the basis of the objectives agreed with the employee and the extent to which these have been reached.

The individual sums are based on the performance appraisal by the management. The appraisal depends on the extent to which the agreed objectives have been achieved, together with an assessment of compliance with the internal procedure of the AIFM. When agreeing the objectives, care is taken to ensure that no undue risk-taking is demanded.

The amount of the variable remuneration is set around a target corridor of 10 - 20% of the annual fixed salary actually received by the employee in the financial year in question (calendar year fixed salary) and should correspond to normal good performance or achievement of objectives.

The objectives must be set so that the employee can achieve 15 - 20% of variable remuneration if performance is good. The individual objectives set with the employee must be weighed against each other; the achievement of objectives must be determined and evaluated for each individual objective at the time of assessment, at the end of the financial year.

**2.3. Objectives as management, planning and control tools**

The factors determining assessment of performance-related remuneration must always harmonise with the strategic business objectives and must not entail any inappropriate risk-taking. The agreement on objectives is therefore linked in terms of content and organisation with the AIFM planning process.

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The desired results are set as objectives in the course of an annual negotiation between employees and management and recorded in writing. Alongside setting the variable remuneration, what results management expects should be made clear, and the employee can establish with management the support to be received in order to achieve the objectives and/or fulfil the tasks. These agreements on objectives should refer to quantitative and qualitative objectives which must be comprehensible, demanding and challenging yet also achievable. Under no circumstances should objectives be agreed that can only be reached by inappropriate risk-taking.

Employees and management remain in close contact in the course of a year by means of regular meetings concerning the interim objectives already reached, objectives still to be achieved and the realisation of deliverables. Changing background conditions that are of major importance for achieving the objectives may result in the agreed objectives being modified.

**2.3.2. Determination of whether objectives are achieved**

The assessment of whether objectives are achieved takes place in the annual meeting between the employee and management and is documented in writing on the objective agreement sheet. The performance appraisal is discussed by the management on the basis of the criteria agreed with the employee; background conditions are also discussed. The achievement or failure to achieve additional objectives added during the year is to be assessed and included in the determination of the individual variable remuneration, as are changes in the agreed objectives during the year.

When determining the amount of variable remuneration, not only the achievement of the objectives but also the performance of the employee associated with reaching the objectives, the behaviour in relation to clients including their specific risk profile, colleagues and adherence to internal procedures is to be appraised. The variable remuneration derived from the achievement of objectives should take into account the employee's overall behaviour in relation to performance, communications, co-operation and teamwork.

The basic principle is that consensus should exist between management and the employee about the extent to which objectives have been met.

The objectives are divided into a maximum of four target areas for ease of utilisation. These target areas apply to all hierarchical levels, although with different weightings and priorities. The individual objectives resulting from objective areas must be weighed against each other when agreeing objectives.

Under no circumstances should objectives be agreed which can only be reached by inappropriate risk-taking.

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An employee does not generally exercise any functions that have a material influence on the AIFM's risk profile within the meaning of the above CSFF guidelines.

**2.3.3. Application**

The parties involved are prepared and supported in a suitable form, e.g. by internal or external training, information events and working materials, and by means of a partnership dialogue between the manager and employee.

To ensure proper and uniform application of the management by objectives technique, it is documented in a suitable form.

**2.4. Potential risk takers**

It may be the case that in certain executive market-oriented functions, risks that bind the AIFM or the Funds must be entered into. If these risks are run by the function holder, they generally have little influence if any on the risk profile of the AIFM or the Fund as a whole, due to the segregation of duties.

**2.5. Remuneration of employees with control functions**

The remuneration of the conducting officers with control functions is independent of the areas they control. They are endowed with the necessary powers to perform their respective functions independently. Their remuneration, like that of all other employees with control functions, is not highly related to the economic success or risk-taking of the AIFM or the Funds, but primarily to achieving their individual objectives, irrespective of the areas controlled or for which they are responsible.

**3. Salaries of Members of the Board of Directors****3.1. Fixed annual salary**

Salaries of members of the executive board are set by resolution of the supervisory board at the suggestion of its chairman.

The fixed annual salary is paid in 12 monthly instalments. The level of the fixed salary must be appropriate for the market and set so that the proportion of the variable remuneration does not exceed 50% of the total remuneration.

The members of the executive board are to be regarded as risk takers within the meaning of the CSSF remuneration guidelines.

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The remuneration of the board of directors not involved in the day to day operation of the AIFM shall not be linked to the AIFM's short-term results, but shall instead be based on other factors such as the time spent performing the function and the level of responsibility.

**3.2. Agreements on objectives**

Agreements on objectives for members of the executive board are concluded with the shareholder. Economic, individual and group objectives can be agreed. The starting point for agreements on objectives is the plan approved by the board of directors each December for the following year.

When agreeing the objectives, care is taken to ensure that no undue risk-taking is demanded. The individual objectives agreed with members of the board of directors are weighted against each other and may contain additional objectives in the respective area of responsibility beyond those mentioned above.

**3.3. Promote**

The introduction of a carry component based on the performance of the Funds has not been adopted as of the date of this policy.