

# BOUSSARD & GAVAUDAN

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## *Remuneration Policy*

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### **1. Introduction**

The purpose of this Remuneration Policy is to set out how Boussard & Gavaudan Group<sup>1</sup> (“BG” or “the Firm”) will provide remuneration in a form and amount that is consistent with the Remuneration Code as set out in SYSC 19, whilst being able to attract, motivate and maintain high-calibre employees.

Because BG has an AIFM in his group, BGIM, BG must comply with the AIFM Remuneration Code in SYSC 19B for its AIFMD activities and with the BIPRU Remuneration Code in SYSC 19C in relation to its MiFID type activities. SYSC 19C.1.1A states that where BG complies with SYSC 19B, it will also be regarded as compliant with SYSC 19C. BG has chosen to rely on SYSC 19C.1.1A and therefore this Remuneration Policy is designed to ensure that the Firm complies with the Principles of the AIFM Remuneration Code (referred to as the “Remuneration Code” or “Code” in this policy) in SYSC 19B and does not refer to SYSC 19C.

The main rules of the AIFM regulation regarding the remuneration can be summarized as follows :

- Deferral over 3 years
- Awards in instruments, at least 50%
- Retention of the instruments for 6 months (only Code Staff)
- Performance adjustment => malus and clawback possible
- The Policy will be effective on 1<sup>st</sup> January 2016

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<sup>1</sup> For the avoidance of doubt BG will apply the same policy to all employees, partners and members of the following entities:

Boussard & Gavaudan Partners Limited,  
Boussard & Gavaudan Asset Management LP  
Boussard & Gavaudan Investment Management LLP  
Boussard & Gavaudan Gestion SAS  
Compagnie des Ecrehous SE

BG Remuneration Policy will be reviewed annually by the Management and Control Committee (“MCC”) to ensure that it remains compliant with the AIFM Remuneration Code Principles. In addition, the Compliance Officer, as part of BG regulatory monitoring, will perform a review of the implementation of this Policy by all group entities.

## **2. Application**

The Remuneration Code applies to ‘Remuneration Code Staff’ (‘Code Staff’). This includes senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm’s risk profile (see appendix II with the current list of people concerned). The Code Staff will be updated every year in March.

Boussard & Gavaudan Partners Limited (“BGPL”), is the Managing Member of Boussard & Gavaudan Investment Management LLP (“BGIM”), a limited liability partnership. Members of BGIM are not employees and receive all their remuneration through member’s distribution. In order to take a proportionate approach, given the size and non-complex nature of both the activities undertaken and the organization, BG has decided that the MCC will act as the Remuneration Committee. This is in line with guidance provided by the FCA for tier 4 firms under the Remuneration Code. The MCC will be responsible for setting BG’s policy on remuneration.

The BG remuneration policy in order to be in compliance with the AIFMD rules, will be implemented as of the 1 January 2016. This will include bonuses received in 2016 and relating to the 2015 activity.

### **Link between pay and performance**

Remuneration at BG is made up of 3 components:

- fixed (‘salary’)
- variable (‘bonus’)
- Additionally, members and partners of the partnership may receive distributions from the residual profits of the group.

Salaries are set in line with the market. Any bonus paid is designed to both reflect the performance of a person in contributing to the success of the firm and their success in meeting, or exceeding, targets that have been set by the Firm on an individual basis.

Where remuneration is performance-related, performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management.

In keeping with BG’s long-term objectives, the assessment of performance will take into account the firm’s business cycle :

### **Deferral**

50% of the variable remuneration will be deferred over 3 years, up to 60% for those receiving more than £500,000 (equivalent of €700,000) of variable remuneration (second component above).

According to the FCA Guidance Note of January 2014, distributions received from the partnerships as residual profits of BG (after payment of the first 2 components) will not be subject to deferral.

For the purpose of clarity in the following examples:

N is the year when the activity is performed

31 March N+1 is the date when the bonus is granted

31 March N+2, 31 March N+3 and 31 March N+4 are the dates when deferral amounts are paid

The performance related bonuses are determined on 31<sup>st</sup> March. Those amounts are then invested in Boussard & Gavaudan Holding Limited ("BGHL") shares (as defined below) or in BG Fund units (the underlying fund of BGHL) on 1<sup>st</sup> April.

BGHL is a closed ended fund listed in Amsterdam and London stock exchanges. It is almost exclusively invested into BG Fund, the flagship fund managed by BG.

1/3 of the deferred portion of the performance-related bonuses will be paid out on 31 March of the 3 following years. Because the deferral is invested into BGHL shares – or BG Fund units -, the amount paid will include the market price or NAV evolution (positive or negative) of the shares or units.

There will be a potential claw back on those shares or units which depends on the contribution to the performance of the funds managed by BG of the individual during those three years.

### **Awards in instruments**

BG awards the deferred 50% portion of variable remuneration in the form of shares of BGHL or units of BG Fund. The shares or units are subject to an appropriate retention policy that is designed to align incentives with the long-term interests of BG and the AIFs that BG manage.

The 6 months retention period will only be applied to "Code Staff" as defined in Appendix 1.

BG considers that the retention period of 6 months should not apply if the employees/partners hold **already** at least the same number of BGHL shares or BG Fund units. In that case all the deferred variable remuneration can be paid in cash.

### **Performance adjustment**

Variable remuneration awarded should only vest or be paid if it is sustainable according to the financial situation of the AIFM as a whole and justified according to the performance of the AIF, the business unit and the individual concerned. Where financial performance is subdued or negative, BG will ensure that variable remuneration is "considerably contracted" through malus or claw back arrangements.

Bonuses should not be distributed until the BG accounts have been audited.

### **Payment (31st March N+1)**

50% (or 40%) of the bonus is paid on 31 March N+1, of which, for Code Staff, half in cash and half in BGHL shares or BG Fund units with a retention period of 6 months if the individual cannot justify he already holds a number of BGHL shares or BG Fund units at least equal to the number he receives. If the individual does already hold enough shares or units the 50% part will be paid in cash (40% when the second component of the remuneration exceed 500k£). If the individual does not, then BG will keep the shares or units during 6 months and BG will pay the individual these 50% part in cash on 30 September N+1. The amount paid will include the market price or NAV evolution (positive or negative) of the shares or units during this 6-Month period. For others individuals, the payment on 31 March N+1 is in cash.

50% (or 60%) is held by the company and invested in BGHL shares or BG Fund units.

**During each of the following 3 years (31 March N+2, 31 March n+3, 31 march N+4) payments are made on the following basis**

1/3 of the variable remuneration deferred is paid, of which, for Code staff, half in cash and half in shares or units with a retention period of 6 months if the individual cannot justify he already holds a number of BGHL shares or BG Fund units at least equal to the number he receives. Otherwise, the individual will receive all in cash. In the first case, BG will keep the shares or units during 6 months and BG will pay the individual these 50% part in cash on 30 September N+2, N+3 and N+4. The amount paid will include the market price or NAV evolution (positive or negative) of the shares or units during this 6-Month period. For others individuals, the payment is in cash.

The payment is made under the following conditions:

- The individual is still with Boussard & Gavaudan,
- The share price applied will normally be the average price paid (or received) by BG for those shares or units unless a specific situation arises,
- A potential claw back may be applied. It depends on the contribution to the performance of the individual during that year.

Awards will reflect the financial performance of BG and as such variable remuneration may be contracted where subdued or negative financial performance occurs. BG will not ordinarily make any variable remuneration awards should the firm make a loss. In exceptional circumstances such payments may need to be considered. In such cases the MCC, in conjunction with the Compliance Officer, will consider and document whether such an award would be in line with the Remuneration Policy.

**Application of the policy to all BG group entities**

For the avoidance of doubt BG will apply the same policy to all employees, partners and members of staff of the following entities:

Boussard & Gavaudan Partners Limited,  
Boussard & Gavaudan Asset Management LP  
Boussard & Gavaudan Investment Management LLP  
Boussard & Gavaudan Gestion  
Compagnie des Ecrehous

## Appendix I

### **Remuneration Code Staff**

Remuneration Code Staff comprises those categories of staff whose professional activities have a material impact on the risk profiles of BG or the AIFs that it manages. This includes staff engaged in control functions, risk takers, senior management, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. For the purpose of implementing the Code, the European Securities and Markets Authority (“ESMA”) has defined control functions as “staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within an AIFM. Unless the contrary can be demonstrated, ESMA has stated in its Guidance that the following individuals would be classified as Remuneration Code Staff:

- Executive and non-executive members of the governing body of the AIFM;
- Senior management;
- Control functions;
- Staff responsible for heading portfolio management, administration, marketing and human resources; and
- Other risk takers.

This also extends to staff of any entity to whom BG has delegated the AIFM activities of portfolio or risk management, and whose professional activities have a material impact on the risk profiles of the AIF(s). BG has in place a record of its Remuneration Code staff which is maintained and monitored by the Compliance Officer with oversight by the governing body. All such staff understand the implications of their status.

For the avoidance of doubt BG will apply the same policy to all employees and members of staff of the following entities :

Boussard & Gavaudan Partners Limited,  
Boussard & Gavaudan Asset Management LP  
Boussard & Gavaudan Investment Management LLP  
Boussard & Gavaudan Gestion  
Compagnie des Ecrehous

### **Business structure**

#### **BGIM:**

- Manages and/or sub-advises **alternative investment funds (AIFs) and other non-UCITS funds** (eg. U.S. mutual funds)
- Was granted authorisation as an alternative investment fund manager (AIFM) by the FCA in July 2014 and is an investment adviser registered with the US Securities and Exchange Commission (“SEC”)
- Is a limited liability partnership registered in England on 5 November 2013 under reference number OC388967
- Is owned by BGAM and has access to the same BGPL resources, including key persons and staff, and
- Is managed and controlled by BGPL, acting as its Managing Member.

**BGAM:**

- Manages and sub-advises **Luxembourg UCITS**
- Was granted authorisation as an "Investment Management Firm" (BIPRU and CPMI category) by the UK Financial Conduct Authority ("FCA") in December 2002
- Is a limited partnership registered in England on 11 July 2002 under reference number LP8216
- Is owned by its limited and general partners. The limited partners of BGAM and the members of BGIM or their ultimate owners are the key members of the Group staff, and
- Is managed and controlled by BGPL, acting as its General Partner.

**BGG:**

- Manages **French UCITS**
- Was granted authorisation as investment management company by France's Autorité des marchés financiers ("AMF") on 31 March 2003
- Is a private company incorporated in France on 2 August 2002 and registered under reference number 443 014 584, and
- Is wholly-owned by BGPL and provides administrative support services to BGPL.

BG partners and teams of investment and operations professionals have significant market experience which provides hands-on expertise in sourcing, executing and managing the investment strategy of the Firm and the Funds that it manages.

The firm's revenue is derived from management and performance fees and as such depends upon sound investment decisions, in line with its Clients' interests and objectives as set out in the Investment Management Agreement and where relevant, their constitution documents. This Remuneration Policy is in line with these values.

BG has in place a Conflicts of Interest Policy and Register which have been developed and approved by its Partners. BG is aware of the need to ensure that its Remuneration Policy and arrangements do not give rise to any conflicts of interest.