

UCITS V & AIFMD Remuneration Policy Statement for BNY Mellon Fund Management (LUX) S.A. (“BNYMFM”)

BNYMFM is appointed as the Management Company (“ManCo”) of UCITS schemes in line with the requirements of Directive 2009/65/EC (as amended) (the “UCITS Directive”) and therefore subject to the rules on remuneration set out in Article 14(b) of the UCITS Directive. BNYMFM is also appointed as an Alternative Investment Fund Manager (“AIFM”) of alternative investment funds (‘AIFs’) and as such is subject to the rules on remuneration as set out in Article 13 of the Alternative Investment Fund Management Directive (“AIFMD”) 2011/61/EU.

In addition, The EU Sustainable Finance Disclosure Regulation (“SFDR” or “The Regulation”) is effective from 10th March 2021. The Regulation requires to address how those policies are consistent with the integration of sustainability risks.

These rules require the Man Co/AIFM of UCITS/AIFs to have remuneration policies, procedures and practices that:

- are consistent with and promote sound and effective risk management including with respect to sustainability risks;
- do not encourage excessive risk-taking inconsistent with the risk profiles or governing documentation of the UCITS/AIFs; and
- do not impair compliance with the duty of the ManCo/AIFM to act in the best interests of the UCITS/AIFs. The ManCo/AIFM applies its remuneration policy and practices in a manner that is proportionate to its size and that of the UCITS/AIFs it manages, its internal organisation and the nature, scope and complexity of its activities.

The ManCo/AIFM also applies this principle of proportionality to the appointment of any third party that makes investment decisions on behalf of the UCITS/AIFs under a formal delegation arrangement and which may affect the risk profile of the relevant sub-funds.

In broad terms, the business model of the ManCo/AIFM is designed as such that it does not encourage excessive risk-taking including with regards to sustainability risks. In accordance with the requirements under the UCITS & AIFM Directives, the ManCo/AIFM takes appropriate steps to identify individuals providing services to the ManCo/AIFM whose professional activities may have a material impact on the risk profile of the ManCo/AIFM and the UCITS/AIFs that it manages, known as “Identified Staff”, including:

- statutory directors;
- senior management and others within the same remuneration bracket of senior management;
- the heads of the control functions; and
- other risk takers including all staff members whose professional activities – either individually or collectively, as members of a group – can have a material influence on the risk profiles of the ManCo/AIFM or of a UCITS/AIFs it manages.

The executive directors do not receive any compensation directly from the ManCo/AIFM. The independent non-executive directors receive remuneration for their services from the ManCo/AIFM, which comprises a fixed fee and no variable compensation component. The operations and activities of the ManCo/AIFM and the UCITS/AIFs for which it acts as ManCo/AIFM are largely performed by employees of other companies within the BNY Mellon Group (“BNY Mellon”) and the compensation of these individuals is determined by senior management of the relevant business line in accordance with the BNY Mellon policies, principles and practices at global and regional level. In such cases where services arrangements or formal delegation of portfolio management are in place, the ManCo/AIFM seeks to ensure that remuneration arrangements in respect of Identified Staff are considered to be equally as effective as those to which the ManCo/AIFM.

Furthermore, the risk framework operated by the ManCo/AIFM in respect of delegated portfolio management arrangements is designed to ensure that individuals performing activities within such third-parties do not have capacity to have a material impact on the risk profile of the UCITS/AIFs. The BNY Mellon compensation philosophy and principles are based on offering an overall remuneration that supports its core values of: Passion for Excellence, Integrity, Strength in diversity and Courage to lead. Performance is rewarded both at the individual and corporate level and determined on the basis of financial and non-financial factors. This is intended to align the interests of employees and shareholders and/or clients by incentivising actions that contribute to superior financial performance and long-term value and by ensuring that incentive compensation arrangements do not encourage employees to take unnecessary and excessive risks including those relating to sustainability.

BNY Mellon’s overall compensation structure is balanced between short-term and long-term incentives and a combination of cash and equity compensation. This is intended to discourage employees from taking excessive risks that may adversely affect the long-term performance of companies within the BNY Mellon Group and impact a substantial proportion of their own compensation. BNY Mellon operates remuneration committees at a global and regional level with responsibilities relating to the oversight of employee compensation and benefit policies and programmes.