

## **BARON CAPITAL EU AND UK REMUNERATION POLICY**

The Firm may agree to adhere to certain additional compensation requirements in relation to relevant portfolio managers whose professional activities have a material impact on the risk profile of a portfolio that he/she manages in connection with the provision of services to an EU or UK alternative investment fund manager. These additional requirements derive from the EU Alternative Investment Fund Managers Directive and implementing measures, including the UK Alternative Investment Fund Managers Regulations.

In the event of a conflict between these requirements and any other Firm policies and/or procedures, these requirements shall prevail.

These requirements are designed to avoid conflicts of interest between the Firm (and its staff) and the interests of the EU or UK AIFM, alternative investment funds (“AIFs”) managed by the AIFM and investors in such AIFs. Employees are not involved in setting their own remuneration. They are also subject to provisions designed to avoid or manage conflicts of interest, as set out in the Firm’s compliance policies and procedures.

In addition, employees involved in the Firm’s control functions (internal audit, risk, legal and compliance), are compensated on the basis of their performance across a range of functional indicators and against objectives linked to their functions, and their remuneration is not tied to the performance of the business areas that they oversee and/or control.

***When do these requirements apply?*** When the Firm is providing services to an EU or UK AIFM and when the Firm has agreed to put in place policies and/or procedures that comply with, or are as effective as, EU or UK remuneration requirements for AIFMs.

***Who do these requirements apply to?*** Portfolio managers whose professional activities have a material impact on the risk profile of the EU or UK AIFM or the AIFs managed by the EU or UK AIFM (referred to herein as “**in scope individuals**”).

***What do these requirements apply to?*** Any remuneration of the individual attributable to the services the Firm provides to the EU or UK AIFM (referred to herein as “**in scope remuneration**”).

***Ensuring compliance.*** In scope individuals may not use personal hedging strategies or remuneration and liability based insurance to undermine the risk alignment effects embedded in these remuneration arrangements. The Firm also has personal account dealing policies which restrict dealing on a personal basis by employees and their connected parties.

***Review.*** The policy and this annex shall be periodically (and at least annually) reviewed by the governing body of the Firm, and compliance with this policy should be subject to a central and independent review at least annually.

### **General principles**

- Remuneration will be consistent with, and promote, sound and effective risk management and will not encourage risk-taking which is inconsistent with the risk profile of the AIF(s) being managed.

- Remuneration will be in line with the business strategy, objectives, values and interests of the Firm and the relevant AIF or the investors of such AIFs.

### **Specific requirements for remuneration structures and bonuses / variable pay**

In addition to the above general requirements, the Firm will ensure that remuneration arrangements meet the following additional specific requirements:

- For in scope remuneration that is performance related, the total amount of remuneration will be based on a combination of an assessment of a number of factors including:
  - the overall performance and results of the Firm;
  - the collective performance of the relevant team;
  - the performance of the AIF concerned; and
  - the performance of the in scope individual relative to role requirements, taking into account both financial and non-financial criteria (including performance against agreed financial and non-financial competencies, compliance with regulatory requirements and the Firm's policies and procedures and the achievement of objectives).
- The assessment of individual performance will be set in a multi-year framework appropriate to the life cycle of the AIF to ensure that the assessment process is based on longer term performance and the payment of performance-based pay will be spread over a period which takes into account the redemption policy of the AIF and investment risks.
- The Firm will not award, pay, provide or offer in-scope individuals a guaranteed bonus / guaranteed variable remuneration. The Firm may offer individuals that will be involved in providing services to EU or UK AIFMs a signing bonus / golden handshake, provided that any such bonus is limited to the first year of service.
- The Firm will ensure that fixed and variable remuneration are appropriately balanced and that fixed pay is set at a sufficiently high level that allows for a fully flexible policy on variable remuneration (including the possibility that no variable remuneration is paid).
- Severance pay is at the Firm's discretion. Any payments related to early termination of contracts or retirement for in scope individuals will reflect performance achieved over time and will be designed in a way that does not reward failure.
- When determining in scope variable remuneration, the Firm will, amongst other things, factor in the performance of the AIF with a view ensuring that incentives are aligned with the long term performance of the AIF and the interests of investors in the AIF.

- The Firm will ensure that at least 40% of an individual's in scope variable remuneration is deferred over a period of at least three to five years and, if the in scope variable remuneration is £500,000 (or local currency equivalent) or more, at least 60% will be deferred. Remuneration will vest no faster than on a pro rata basis.
- The Firm will ensure that in scope remuneration is subject to appropriate malus and/or clawback arrangements to ensure that variable remuneration is only paid or vests if it is sustainable according to the Firm's financial situation and justified according to the performance of the AIF, the business unit and the individual concerned. Examples of where a reduction could occur include: (i) where the Firm or the AIF suffers a material downturn in financial performance, (ii) where there is reasonable evidence of misbehaviour or material error of the individual, or (iii) where the Firm or the AIF suffers a material risk management failure.
- The Firm will ensure that any profits, fees and other components used to determine variable remuneration / bonus pools or the in scope variable remuneration amount are adjusted to reflect relevant current and future risks faced by the Firm and the AIF in question (taking into account the redemption policy of the AIF).