SEPHIRA

Sephira Investment Advisors (UK) Limited

Remuneration Policy

Table of Contents

EU Sustainable Finance Disclosure Regulation

Sephira Investment Advisors (UK) Limited ("Sephira"), as a manager of EU funds, is required to comply with the Sustainable Finance Disclosure Regulation ("SFDR"). One of the requirements of the SFDR is for investment managers to disclose to investors the integration of sustainability risks, promotion of environmental or social characteristics, and the overall practice of sustainable investing.

This high-level policy statement sets out the Firm's approach to meeting the requirements set out in Article 5 of the SFDR, which requires transparency of remuneration policies in relation to the integration of sustainability risks. Specifically, SFDR states:

"Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites."

Sustainability Risk

Article 2 (22) of SFDR defines Sustainability Risk as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment". Sephira is committed to incorporate sustainability risk considerations into its investment decision-making processes.

Further information on Sephira's compliance to SFDR and approach to environmental, social, and governance (ESG) factors can be found on Sephira's website under the 'Sustainability-related disclosures' section in the:

- Sustainability risk policy
- Principal adverse impact statement
- ESG policy

Alternative Investment Fund Managers Remuneration Code

The Firm is subject to the Remuneration Code for Full-Scope Alternative Investment Fund Managers ("AIFMs") (the "Remuneration Code"), as codified in Section 19B of the SYSC Handbook. The Firm must establish implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management, and do not encourage risk taking which is inconsistent with the risk profile of any alternative investment funds ("AIFs") managed by the Firm. The Remuneration Code includes various Principles that firms are expected to consider and apply as appropriate.

The Financial Conduct Authority ("FCA") expects AIFMs to apply the Remuneration Code with respect to the first full performance period following the Firm's authorisation as an AIFM.

PROPORTIONALITY

The FCA expects firms to apply the Principles in a manner that is proportionate to the size, nature and complexity of a firm's business. With respect to the Remuneration Code, the Firm considers itself a low-risk firm.

What constitutes compliance with the Remuneration Code based on the size, nature and complexity of a firm's business, the FCA has stated that there will be some firms that will be expected to apply more sophisticated policies or practices to fulfil the requirements, while others can meet the requirements in a simpler or less burdensome way.

It is primarily the responsibility of the Firm to assess its own characteristics and to develop and implement remuneration policies and practices that appropriately align with the risks faced and provide adequate and effective incentives to its staff. Therefore, the FCA is explicitly not expecting all firms to adhere to the remuneration requirements in the same way and to the same extent, i.e. there is no ”one-size fits all” approach.

The Firm has identified those employees who are covered by the Remuneration Code (“Code Staff”) as those employees who have a material impact on the risk profile of the Firm or AIFs managed by the Firm. This includes senior management, risk takers, those holding control functions and any employee whose total remuneration takes them into the same remuneration bracket as senior management. With respect to each performance period, the Firm assessed which staff are Code Staff, and this is documented (template can be produced upon request).

Integration of Sustainability Risk in Remuneration Policy

Sephira deems alignment of remuneration with core principles of sustainability as imperative for long-term value creation and superior performance for all stakeholders.

Sustainability risks are incorporated in the design and management of Sephira’s compensation model in a way that discourages unwarranted risk-taking and promotes a sustainable risk management approach to investing.

Sephira has established a compensation structure for its employees comprised of fixed (salary and benefits) and variable (discretionary bonus) components.

Sustainability risks are integrated into both components as detailed below.

Fixed Remuneration

Sephira offers employees a competitive annual base salary plus benefits. The base salaries are benchmarked against relevant industry standards and reviewed annually to adjust against inflation and market changes if necessary. Sephira’s goal is to employ and retain industry-best talent to achieve superior fund performance and long-term, sustainable value creation. This approach also balances the proportion of the compensation tied to individual performance further reducing unnecessary risk taking in investment decisions.

Variable Remuneration

Employees eligible for the variable component of compensation, an annual discretionary bonus, will be evaluated based on, but not limited to, the performance of the employee, the performance of the fund, and the performance of Sephira generally.

Performance evaluation considers sustainability risks and opportunity management. Employees are expected to identify and avoid sustainability risks in the investment process while contributing to Sephira’s sustainability objectives.

Sephira rewards the performance of employees for sustainable value creation, as well as individual/ group contributions to the promoted SFDR environmental objective of decarbonization.

Remuneration Policy Review

The remuneration structure shall be reviewed by the Operating Committee annually and updated if deemed necessary or desirable.

GENERAL STATEMENT ON THE REMUNERATION CODE

The Firm is confident that as an AIFM, the Firm's business is already structured in compliance with the Principles of the Remuneration Code.

The following describes the Firm's Policy on the Principles of the Remuneration Code.

Principle 1: Risk Management (SYSC 19B.1.5)

An AIFM must ensure that its Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the instrument constituting the AIFs managed by the Firm.

The Firm's Remuneration Policy is consistent with the Firm's risk management objectives and does not encourage risk taking and promotes a risk averse culture. The Firm has set detailed risk limits, which are strictly adhered to, for the AIFs it manages. The risk limits are managed and monitored by the Firm's risk management function.

Principle 2: Supporting Business Strategy, objectives, values and interests and avoiding conflicts of interest (SYSC 19B.1.6)

An AIFM must ensure that its Remuneration Policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages or the investors of such AIFs and includes measures to avoid conflicts of interest.

As an investment manager, the Firm's risk strategy is documented and disclosed in the offering document of the AIFs managed by the Firm. The Firm does not exceed these risks levels and has no incentive to do so. The Firm's risk strategy is aligned with the interests of the AIFs managed by the Firm.

In addition, material conflicts that other firms face – dealing as principal, custody of assets, dealing through affiliated brokers – do not apply to the Firm.

The Firm's business strategy and long-term interest and the interest of AIF fund investors is to maximize the performance of the AIFs in compliance with the offering documents.

The Firm has a documented Conflicts of Interest Policy and Inventory in order to identify, manage and monitor the Firm's conflicts.

After taking into account the Firm's current controls as described above, the Firm has concluded that remuneration does not present a significant conflict of interest to the Firm's clients (including AIF investors).

Principle 3: Governance (SYSC 19B.1.7-19b.1.9)

An AIFM must ensure that the governing body of the AIFM, in its supervisory function adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for its implementation.

An AIFM must ensure the implementation of the remuneration is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the governing body in its supervisory function.

An AIFM that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities must establish a remuneration committee.

The remuneration committee must be constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices, and the incentives created for managing risk.

The chairman and the members of the remuneration committee must be members of the governing body who do not perform any executive function in the AIFM.

The remuneration committee must be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the AIFM or the AIF concerned and which are taken by the governing body in its supervisory function.

The Firm's governing body has reviewed and adopted this Remuneration Policy. It is the Firm's policy to review and assesses the Firm's Remuneration Policy and procedures on an annual basis or sooner should the business change or other need arises.

It is the Firm's policy that its Compliance Officer in conjunction with its compliance consultant will review the Firm's compliance with the Firm's current Remuneration Policy.

As the Firm's total AUM is currently less than the threshold of £1bn (as detailed in FCA guidance accompanying the Remuneration Code), and the AIFM manages one strategy, the Firm has not established a Remuneration Committee as the Firm is not deemed to be significant in size including the nature, scope and complexity of its activities.

Principle 4: Control Functions (SYSC 19B1.10 & 19B.1.11)

An AIFM must ensure that employees engaged in control functions are compensated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

An AIFM must ensure the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the remuneration committee, or, if such a committee has not been established, by the governing body in its supervisory function.

The members of the Firm's governing body, who have a significant amount of experience in the industry and are involved in the day to day business, are responsible for ensuring that the remuneration of those persons in control functions is linked to their performance and achievements of the business areas they control.

Principle 5

5.a: Remuneration Structures – assessment and performance (SYSC 19B.1.12)

An AIFM must ensure that, where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF concerned and of the overall results of the AIFM. When assessing individual performance, financial and non-financial criteria are taken into account.

An AIFM must ensure that the assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs managed by the AIFM to ensure that:

(1) the assessment process is based on longer term performance; and

(2) the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risks.

Taking account of the remuneration principles proportionality rule described above, the FCA does not generally consider it necessary for a firm to apply the rules referred to below where, in relation to an individual ("X"), both of the following conditions are satisfied:

(a) Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and

(b) Condition 2 is that X's total remuneration is no more than £500,000.

The rules referred to above are those relating to:

(a) guaranteed variable remuneration (Principle 5b);

(b) retained units, shares or other instruments (Principle 5e)

(c) deferral (Principle 5f); and

(d) performance adjustment (Principle 5g).

The Firm's performance related remuneration is based on the assessment of the individual's performance and competence in his/her role within the business during a defined period. Members receive a profit allocation as detailed in the LLP Agreement.

This process takes into account the proportionality guidance for individuals not meeting the variable and total remuneration criteria as described above.

5.b: Remuneration structures – guaranteed variable remuneration (SYSC 19B.1.14)

An AIFM must not award, pay or provide guaranteed variable remuneration unless it;

(1) is exceptional;

(2) occurs only in the context of hiring new staff; and

(3) is limited to the first year of service.

It is not the Firm's policy to pay guaranteed variable remuneration.

5.c: Remuneration structures – ratios between fixed and variable components of total remuneration (SYSC 19B.15)

An AIFM must ensure that:

(1) fixed and variable components of total remuneration are appropriately balanced; and

(2) the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

The fixed remuneration is determined by market rates. The Firm has a flexible approach on the variable remuneration component which varies depending on the following; the individual's performance, the Firm's performance and the AIF's performance, in accordance with Principle 5.a (as detailed above).

5.d: Remuneration structures – payments related to early termination (SYSC19B.1.16)

An AIFM must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

It is the Firm's policy that remuneration of early termination of contracts reflect the performance and competence of the individual during the time employed at the Firm.

5.e: Remuneration structures – retained units, shares or other instruments (SYSC 19B.1.17) – Pay out Process Rule 1[1]

(1) Subject to the legal structure of the AIF and the instrument constituting the fund, an AIFM must ensure that a substantial portion, and in any event at least 50% of any variable remuneration, consists of units or shares of the AIF concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments. However, if the management of AIFs accounts for less than 50% of the total portfolio managed by the AIFM, the minimum of 50 % does not apply.

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[1] **Pay Out Process Rules**

i. Retained units, shares or other instruments Guidance consultation (SYSC 19B.1.17R),

ii. Deferral (SYSC 19B.1.18R), and

iii. Performance adjustment (SYSC 19B.1.19R & SYSC 19B.1.20G).

(2) The instruments in (1) must be subject to an appropriate retention policy designed to align incentives with the long-term interests of the AIFM and the AIFs it manages and the investors of such AIFs.

(3) This rule applies to the portion of the variable remuneration component deferred in line with SYSC 19B.1.18R (1) and the portion not deferred.

The Firm does not apply the pay-out process rules on the grounds of proportionality – See 0 *for details.*

5.f. Remuneration structures – deferral (SYSC 19B.1.18) – Pay Out Process Rule 2

(1) An AIFM must not award, pay or provide a variable remuneration component unless a substantial portion, and in any event at least 40%, of the variable remuneration component, is deferred over a period which is appropriate in view of the life cycle and redemption policy of the AIF concerned and is correctly aligned with the nature of the risks of the AIF in question

(2) The period referred to in (1) must be at least three to five years, unless the life cycle of the AIF concerned is shorter.

(3) Remuneration payable under (1) must vest no faster than on a pro-rata basis.

(4) In the case of a variable remuneration component of a particularly high amount, at least 60 % of the amount must be deferred.

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(1) £500,000 is a particularly high amount for the purpose of SYSC 19B.1.18 R (4).

(2) Paragraph (1) is without prejudice to the possibility of lower sums being considered a particularly high amount.

(3) Whilst any variable remuneration component of £500,000 or more paid to AIFM Remuneration Code staff should be subject to 60% deferral, firms should also consider whether lesser amounts should be considered to be 'particularly high', taking account, for example, of whether there are significant differences within AIFM Remuneration Code staff in the levels of variable remuneration paid.

The Firm does not apply the pay-out process rules on the grounds of proportionality – See 0 *for details.*

5.g. Remuneration structures – performance adjustment, etc. (SYSC 19B.1.19) – Pay out Process Rule 3

An AIFM must ensure that any variable remuneration, including a deferred portion, is paid or vests only 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.

The total variable remuneration should generally be considerably contracted where subdued or negative financial performance of the AIFM or of the AIF concerned occurs, taking into account both current compensation and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

The Firm does not apply the pay-out process rules on the grounds of proportionality – See 0 *for details.*

Principle 6: Measurement of Performance (SYSC 19.B1.21)

An AIFM must ensure the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components, includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The Firm's variable remuneration will be in the main be based on the performance of the funds over a period of time. If the performance is poor, the variable remuneration pool will be considerably smaller.

Principle 7: Pension Policy (SYSC 19B.1.22)

An AIFM must ensure that:

(1) Its pension policy is in line with its business strategy, objectives, values and long-term interests of the AIFs it manages;

(2) when an employee leaves a firm, before retirement, any discretionary pension benefits are held by the firm for a period of five years in the form of designated instruments; and

(3) in the case of an employee reaching retirement, a discretionary pension benefit is paid out to the employee in the form of designated instruments and subject to a five year retention period.

The Firm's pension policy in relation to enhanced pension benefits takes the above items into account.

Principle 8: Personal Investment Strategies (SYSC 19.b.1.23)

An AIFM must ensure that its employees undertake not to use personal hedging strategies or remuneration and liability related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The Firm's policy is not to remunerate individuals based on share awards.

Principle 9: Facilitating Avoidance (SYSC 19A.3.32)

An AIFM must ensure variable remuneration is not paid through vehicles or methods that facilitate avoidance of the Remuneration Code.

The variable remuneration is paid in cash.

APPENDIX A– PROPORTIONALITY AND 'PAY-OUT PROCESS RULES'

With respect to the Remuneration Period, the Firm has dis-applied the payout process rules as the Firm has considered the following:

Size

The Firm has AIF AUM which falls below the threshold of £1bn (as detailed in FCA guidance accompanying the Remuneration Code).

The Firm has 8 members of staff (this includes partners and employees) performing services for the AIFM. This includes 7 members of staff that are "Code Staff".

Ownership structure

The Firm is owner managed.

Nature, scope and complexity of activities

Number of investment strategies/number of AIFs

The Firm manages 4 strategies which are deemed to be non-complex. In addition, each AIF is managed following strict adherence to investment and risk limits as noted in the AIF's offering memorandum.

Risk management and monitoring

The discretion of the AIFM is strictly controlled within certain defined parameters as noted in the AIFs offering memorandum.

The nature of certain fee structures such as performance fees or carried interest.

The fee structure of the AIF is aligned with the interest of investors and avoids incentives for risk taking.

Level of Risk

Due to the size of the firm being, the strategies managed and the market impact of the strategies managed the Firm is categorised as low risk.

The nature of any delegation arrangement between the AIFM and the delegate

The Firm does not delegate portfolio or risk management.

Delegation of portfolio or risk management

The Firm does not delegate portfolio management or risk management