



## Corporate Governance

### Background

Integrity and ethical behavior as well as responsible decision making is not only important to maintain an excellent reputation and to ensure professional management but it is also a key element in risk management and legal risk management.

J. Safra Sarasin Fund Management (Luxembourg) S.A. (the “Company”) shall consider the recommendations of the ALFI Code of Conduct for their directors and executives that promotes ethical and responsible decision making.

The ALFI Code of Conduct explains existing best practice in the light of the implementation of Directive 2006/46/EU into Lux law which was set out to facilitate cross-border investment and improve EU-wide comparability and public confidence in financial statements and reports. In accordance with

- Law dated 10 August 1915 relating to commercial companies;
- Law dated 17 December 2010 on undertakings for collective investments;
- Law dated 12 July 2013 on alternative investment fund managers;
- CSSF Regulation 10-4;
- Commission delegated regulation (EU) No 231/2013 on alternative investment fund managers;
- CSSF Circular 12/546;
- OECD Corporate Governance Guidelines;

the Board of Directors of the Company (the “Board”) has approved this Policy following the consent of Management Committee. The Company’s Compliance function may provide detailed guidance on the principles outlined in this Corporate Governance Policy.

### 1. Purpose / Objectives

This Corporate Governance Policy sets standards and defines responsibilities and processes to achieve a comprehensive and consistent view on corporate governance responsibilities and recommendations. It provides the Board and the Management Committee with a framework of principles and best practice recommendations for the governance of the Company and the investment funds under its management (the “Funds”).

Employees at all levels carry their duties out diligently, efficiently and to the best of their capabilities the responsibilities entrusted to them. They act with loyalty where the legitimate interest of the clients and its stakeholders prevail, and act honestly, independently, impartially, with discretion and without regard to self-interest.

### 2. Scope

This policy applies to all employees of the Company without restriction and the principles are applied in relation to the service providers acting for or on behalf of the Company (hereafter the “employees”).

### **3. Guiding principles**

#### **3.1. Definition**

Corporate Governance is the set of processes, custom, policies, laws, and institutions affecting the way a company (also in form of an investment fund) is directed, administered or controlled. Corporate Governance may also be defined as a system of structuring, operating and controlling a company with a view to achieving long term strategic goals and complying with the legal and regulatory requirements. However, there is substantial interest in how external systems and institutions, including markets, influence corporate governance.

Main characteristics for good corporate governance are:

- Board and Management structures and process
- Corporate responsibility and compliance with rules and regulations
- Orderly operating control functions
- Responsible risk management
- Auditing
- Financial transparency and information disclosure
- Protection of interests of the Company and its stakeholders
- Exercise of control rights
- Acting in the best interest of the Funds and its investors

#### **3.2. Roles and Responsibilities**

##### **3.2.1 Board of Directors**

A Board plays a key role in corporate governance. It is, amongst others, responsible for developing directional policy, appointing and supervising senior executives, being the „final“ controlling function and ensuring accountability of the Company towards its investors, authorities and other stakeholders and the Funds and its investors.

The Board as a whole needs a wide range of skills and understanding to be able to deal with all relevant matters (business and non-business) and have the ability to review and challenge management performance. It needs a sufficient size (at least three members) and have an appropriate level of commitment to fulfill its responsibilities and duties.

The Board's main Principles of Corporate Governance are:

- The Board should ensure that high standards of corporate governance are applied at all times
- The Board should have good professional standing and appropriate experience and use best efforts to ensure that it is collectively competent to fulfill its responsibilities
- The Board should act fairly and independently in the best interests of the investors
- The Board should act with due care and diligence in the performance of their duties
- The Board should ensure compliance with all applicable laws, regulations and with the Fund's constitutional documents
- The Board should ensure that investors are properly informed, are fairly and equitably treated, and receive the benefits and services to which they are entitled
- The Board should identify and manage fairly and effectively, to the best of its ability, any actual, potential or apparent conflict of interest and ensure appropriate disclosure

##### **a. Duties of the Board/ Accountability**

The Board determines the objectives, the general measures and means to achieve them and the individuals charged with the management. In its planning it ensures the fundamental harmonization of strategy and finances taking their inalienable and nontransferable primary functions as foreseen in Art. 102 paragraph 2 c law of 2010 and no. 4. of the CSSF circular 12/546.

Consequently, the Board as a collective body acts in the best corporate interest ensuring the sustainable development of the Company. Therefore the Board and/or the appointed Managing Director(s) should issue organizational regulations with a clear definition of the scope of the powers conferred. As a rule, the Board should, however, reserve the right to approve certain significant business transactions.

Moreover, the Board is responsible for defining the compliance principles by which the institution shall abide in carrying out its activities. The Board promotes a positive attitude with regard to compliance, promotes the development of structures allowing achieving its objectives and ensuring, at regular intervals, that the institution has an adequate Compliance function.

Within the scope of its supervisory responsibilities, the Board assess, on a yearly basis, the way in which the institution manages its compliance risk. To this end, it regularly and at least once a year, obtain a report from senior management on compliance (Compliance Policy).

In its report, senior management notably cover the achievement of the Compliance functions objectives, the human and technical means assigned to meet these objectives, the main observations resulting from the compliance functions work, any deficiencies noted, the corrective measures taken and their follow-up, as well as any information allowing to determine whether and to which extent the Compliance function has properly carried out its duties.

The way in which the compliance function operates has been laid down by a compliance charter approved by senior management and the Board, which at least:

- Set forth the objectives of the Compliance function
- Define its role and responsibilities
- Establish its independence and permanence
- Describe the relationship with other departments and functions as well as any need of delegation and/or coordination
- Grant the Compliance function the access right to any information necessary to carry out its responsibilities
- Acknowledge its right to conduct investigations
- Define the reporting lines
- Establish the right to contact senior management, the Chairman of the Board, and, where applicable, the members of the audit committee, the compliance committee or of the risk committee
- Define the conditions in which the function can have recourse to external experts

#### **b. Composition of the Board and special committees**

The Board is composed of competent, honest, sufficiently experienced and qualified persons, subject to prior approval by CSSF. The person in charge of the communication with the CSSF, who is a board member and/or compliance officer, has to ensure that the CSSF approval has been given before material changes in the composition of the Board of Director, Management Committee or other fundamental functions coming into effect.

The majority of the Board should, as a rule, be members who do not perform any line management function within the Company (non-executive members).

The Board may establish dedicated committees or functions deemed necessary for the proper performance of its tasks wherever / whenever necessary e.g. to carry out in-depth analysis of specific matters in relevant and important areas. The rules applying to the Board apply accordingly to the committees (in particular the independence should be applied). Moreover, the Board may obtain at the Company's expense independent advice from external experts.

#### **c. Appointment of Directors**

The Board appoints any new Director, subject to prior approval of the CSSF; this notification must be accompanied by the following documents and information:

- Recent curriculum vitae, signed and dated
- Copy of the passport/identity card
- Declaration of honor, as may be downloaded on the CSSF website ([www.cssf.lu](http://www.cssf.lu))
- Recent extract of the criminal record (if available in the jurisdiction of the candidate concerned)

Directors will then be formally elected by the General Meeting of Shareholders.

Every Board Member must dedicate the required time and attention to his duties; it must be ensured that the number of professional engagements (mandate held in other companies) is limited so that the required attention can be paid to and the tasks are performed correctly.

#### **d. Meeting of the Board**

The Board shall meet in person at least four times a year. The Board shall meet upon call by any two of its members.

Notice of any Board meeting containing the detailed agenda shall be given in writing or by e-mail at least 5 business days in advance, whereby the exact date and time of the meeting shall be communicated at least one month in advance and coordinated with the Board members to ensure complete attendance of all directors whenever possible.

Extraordinary Board meetings can be required at any time by two Board members if matters of urgency so require with a notice of at least 24 hours.

For all meetings a majority of the Board members has to be physically present or duly represented attendance by video or telephone conference is equivalent to physical presence.

The quorum for a Board meeting is the majority of elected directors. In case of equality of votes, the Chairman (or in his absence the appointed chairman of the meeting) have a casting vote.

For each meeting the Board will appoint a Secretary, who is responsible for keeping the minutes of the meeting. If any, a list of the follow-up items needs to be attached to the minutes. Minutes of each Board meeting shall be submitted by the Secretary to the Chairman for acceptance and signature not later than 14 days following the meeting.

The meetings have a pre-approved agenda on top of which any Director may require to add any item he would like to be submitted.

The documentation of the Board meetings is kept at the offices of the Company.

#### **e. Circular Board resolutions**

Circular Board resolutions may be taken, in case of urgency or other circumstances which prevents or complicate duly convocation of a meeting, by unanimous consent of all Directors and shall enter into force on the date indicated.

Circular resolutions are proposed by any Director or Managing Director of the Company or officers. They are submitted to the attention of the Board by email with a request for approval and signature. The date of entry into force shall, in the absence of a date indicated on the circular resolution, be the one of the latest approval received.

#### **f. Signatory power**

The Company can only be represented by joint signature in accordance with the authority granted to the respective person by the Board and duly documented at an authorized signature list.

### **3.2.2. Managing Directors/ Management Committee**

The Board sets up an effective organization and structure of senior management. It will clearly define the roles and responsibilities and allocation of tasks of each member. Managing Directors (“MD”) or member of the Management Committee (“MC”)/senior management means the persons who effectively conduct the business of the Company irrespective of the legal structure that it has adopted. The number of MD, MC members must be at least two and must be sufficiently experienced and of good repute.

The organization and functions of the MD and MC is approved by the Board meetings and, whenever necessary, by CSSF.

The CSSF may contact the MD directly at any time. The MD/MC will provide all required information and documents in due course required to the CSSF. The MD shall in principle reside in Luxembourg (or at least nearby which enables them to work in Luxembourg on a daily basis).

Within the MC a specific area of responsibility is assigned to each MD with regards to the functions within the Company and the monitoring of delegated functions. CSSF has to be informed accordingly. The split of tasks must be organized to avoid any conflicts of interest. The risk taking functions and the independent control of the same risks shall not be assigned to the same MD.

The MDs are not necessarily required to be employees of the Company provided that an agreement exists which precisely defines their rights and duties. It is not excluded that the persons in question manage the business of several management companies (on the condition that the CSSF has proof that the exercise of multiple functions does not and is not likely to prevent the relevant persons from discharging any one particular function soundly, honestly and professionally). Thus, the MD must be supported in their daily work by sufficient qualified staff working in Luxembourg.

#### **a. Appointment of Managing Directors**

The formal appointment of managing directors is subject to prior written approval by CSSF which is mainly based on a recent CV and declaration of honor (on CSSF template). CSSF also needs to be informed on any changes.

The Managing Directors form the Management Committee of the Company. One Managing Director may be appointed by the Board as Chairman who will then have a casting vote, if necessary.

#### **b. Management Committee**

The MDs and further selected employees form the MC.

Regularly, in principle, monthly meetings are held based on a communicated agenda with documentation submitted timely in advance. The meetings are subject to written minutes which are available, together with the documentation at the offices of the Company. The minutes are to be submitted to the attention of the Board at the regular meetings.

The MC regularly informs the Board (exhaustive manner and in writing) on the activities of the Company and the Funds. It manages and submits proper reporting, based on a pre-defined meeting agenda.

The responsibilities of the MC are the following:

- Implementing strategies/guidelines regarding central administration and internal governance through written and detailed internal policies and processes
- Appropriate internal control mechanisms (i.e. permanent Internal Audit, Compliance and Risk Management Functions)
- Technical infrastructure, including human resources
- General investment policy of each Fund
- Supervision on adoption of investment strategies for Funds
- Appropriate Risk Management Policy
- Marketing and Distribution network of all Funds

The agenda of each MC meeting covers at least the following Management Information:

- Minutes last meeting
- Results of controlling on delegated activities
- Incidents
- Department reports
- Risk Management Reports
- Investment Management Reports
- Compliance Reports
- Internal Audit Reports

### **3.2.3 Monitoring by the Board of Directors**

Internal control procedures are implemented by internal policies approved or accepted by the Board and/ or the MC and other functions (i.e. Compliance Officer) to provide reasonable assurance of the Company/Funds achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations.

Regular Board meetings allow potential issues to be identified, discussed, prevented and avoided. The meetings aim at informing the Directors on the current situation and major issues of the Company and the Funds as well as taking decisions on all relevant matters relating to the operations of the Company/Funds.

Furthermore, the Board decide on all relevant events or upcoming questions (in case of the Funds for example the incorporation, liquidation of an Investment Fund, product changes, modification to guidelines as well as follow-up analysis on breaches or defaults, incident reports and other major issues). The Board Meetings also aim to take decisions on all legal and regulatory required actions.

### **3.2.4 Compliance**

The Board has the overall responsibility for the compliance function. The MC is responsible for the setup, implementation, monitoring and necessary adjustments of the compliance organization duly taking the specific nature of the Company, its activities and the number and complexity of the Funds into account. The MC of the Company puts in place an independent Compliance function to monitor the implementation of the Compliance Policy and Compliance Charter and to ensure that it is properly implemented and applied. The ways in which the Compliance function operates and the limits of its scope will develop over time depend on the status, organization and risks inherent in the Company's activities.

The Company appointed a Compliance officer who is in particular responsible for the following key duties:

- Supervision of all compliance relevant activities
- Ensure compliance of internal policies, directives and workflows with regulatory requirements
- Training and instruction of the employees in compliance relevant topics
- All authorization applications, reporting and publication duties according to the collective investment scheme laws
- Coordination of all communication with the regulator
- Ensure that the necessary approval requests are made according to the collective investment scheme laws
- Internal anti-money laundering body
- Ensuring compliance with relevant legal, regulatory and contractual provisions regarding the duties of loyalty, due diligence and disclosure towards clients and investors

The independent compliance officer has authority, resources, expertise and access to all information deemed relevant to monitor, evaluate and report on the adequacy and effectiveness of the measures, policies and procedures put in place and the actions taken to address any deficiencies in the Company's compliance with its obligations.

### **3.2.5 Complaints**

The Board has the overall responsibility for the complaints handling and the MC is responsible for the setup, implementation, monitoring and necessary adjustments of the complaints handling. The Company has appointed a Complaints officer who record all received Complaints and takes care about the treatment and the reply to the sender.

### **3.2.6 Internal Audit**

The Company has set up an internal audit function which directly reports to the Board of Directors. Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals. The internal audit function is separate and independent from the other functions and activities of the Company and shall:

- Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Companies systems, internal control mechanisms and arrangements
- Issue recommendations based on the results of work carried out
- Verify compliance with the recommendations
- Report internal audit matters

### **3.2.7 Risk Management**

The Board established strict rules, designed to protect the Fund's and the investor's interests, in the areas of internal control and risk management. Internal corporate governance controlling monitors activities and, if necessary, then take corrective action to accomplish organizational goals. The Risk Management Officer is independent from operational units and his function is relative to the nature, scale and complexity of the business of the Company. One member of the MC is appointed as the person responsible for Risk Management, having necessary qualifications, knowledge and expertise.

### **3.2.8 Conflict of Interests**

Conflicts of interests may arise when a firm interest or an employee's personal interests conflict with the interests of clients. Conflicts may also arise between the interests of different clients.

Each member of the Board and MC should arrange his personal and business affairs so as to avoid, as far as possible, conflicts of interests with the Company. Moreover anyone who has interests in conflict with the Company or is obligated to represent such interests on behalf of third parties should not participate to that extent in decision-making. Anyone having a permanent conflict of interest should not be a member of the Board or the MC.

In case the Company delegates an activity to a third party, it must ensure that the delegate has a Conflict of Interests policy in place which is regularly updated.

Further the principle of maintaining a balance between direction and control should also apply to the top of the Company (Chairman of the Board and President of the MC, joint or separate function).

If, for reasons specific to the Company or because the circumstances relating to availability of senior management makes it appropriate, the Board decides that a single individual should assume joint responsibility at the top of the Company, it should provide for adequate control mechanisms.

### **3.2.9 Voting strategy**

The Company follows the approach that the execution of voting rights is an instrument to promote the best interest of the Funds and the Fund's investors. The key principles are:

- Each decision follows the best interest of the Fund and the Fund's investor
- Each decision must be made independently from third party interests or own interest of the Company
- Each decision must be in line with the investment policy and the investment restrictions of the relevant Fund, including the framework set by the Luxembourg legislator
- An execution of voting rights must not harm the integrity of the markets

The Company may delegate the attendance in ordinary and extraordinary shareholder meetings via proxy to third parties, in particular to the investment manager of the Funds or to proxy representatives. Such delegates have to adhere to the Management Company's key principles and have to be furnished with written authorizations and with certain instructions related to the execution of voting rights.

To ensure the key principles and to define responsibilities the Company has adopted a specific policy which guides the exercise of voting rights and gives the framework for appropriate actions in connection with the execution of voting rights.

### **3.2.10 Transparency**

Transparency – achieved through the disclosure of information – is an essential ingredient of the Principles of Corporate Governance, allowing external control of function effectively. The annual report should especially include factual information on the corporate governance and operation of corporate bodies, including any changes that have been implemented, together with the relevant events that took place during the last financial year, such as the appointment of new Directors. The Company and the Funds should clarify and make publicly known the roles and responsibilities of Board and Management to provide shareholders with a level of accountability.

All financial reports (Company and Funds) are independently verified by external auditors. Disclosure of relevant material matters concerning the Company and/or Funds are published in the financial statements, or by appropriate means of publication (e.g. newspaper, letter, internet) whenever necessary.

### **3.2.11 Remuneration**

The Company set in force a Remuneration Policy which applies for all employees including the MD and the Board and which is based on the Group's compensation approach which is: To support its strategic business plan and the culture and principles that promote sustained growth and an increase in shareholder value, without encouraging the taking of inappropriate risk to provide competitive total compensation in order to attract and retain experienced and talented individuals who will promote its values, better service the needs of its clients and contribute to the overall development and profitability of the Group.

The composition of the elements within an individual's overall compensation is the result of the function and performance of the individual (including alignment with the Company's risk tolerances), market competitiveness and the Company's overall profitability. The benefits program aims to be competitive with local market practices by targeting benefits at least at the median level.

At the Company remuneration is aligned with prudent risk-taking. The design of the remuneration system is consistent with the objectives set out in the Company's strategy and lies in:

- A proper balance of variable to fixed remuneration
- The measurement of performance
- A structure to variable remuneration to ensure it makes the best possible attempt to align remuneration with its long-term interests
- An annual salary survey

The Chairman of the Board respectively the Chairman of the MC should be consulted, as a rule, except when their own remuneration is under review.



### **3.2.12 Shareholders**

If the single shareholder of the Company intends to sell Company's shares to another shareholder, this intention must be disclosed and is subject to the prior approval of the CSSF. With regards to the principle of transparency the Company will disclose to the CSSF all share transfers of:

- 10% or more of the capital or voting rights in accordance with directive 2004/109/EC ("qualified shareholding") or
- Which makes it possible to exercise a significant influence on the Company.

The Chairman of the Board contacts the single shareholder about his intention to sell the shares of the Company within the next 12 months and will report such an event to the entire Board.

## **4. Replacement of previous versions and review**

The Compliance Officer of the Company has been formally appointed as the owner of this policy. Any amendments to this Corporate Governance Policy may be proposed by the Compliance function and MC and must be duly approved by the Board of Directors and the Management Committee of the Company.

Any waiver to this Corporate Governance Policy may be made by the Board of Directors of the Company, the Management Committee and the Compliance function and must promptly be disclosed to the Employees.

The present procedure will be reviewed and up-dated either if need occurs or at least once a year. The Corporate Governance Policy has been approved by the Management Committee and by the Board of Directors.