



Colchester[®]
GLOBAL INVESTORS

Remuneration Policy

December 2022



Colchester Global Investors is an independently-owned asset management group providing investment products and investment management services in sovereign fixed income to institutional clients on a separate account basis or through funds it has established and operates.

This policy is applicable to Colchester Global Investors Limited ("CGIL"), Colchester Global Investors (Singapore) Pte. Ltd, Colchester Global Investors Middle East Limited, Colchester Global Investors (Dublin) Management Limited ("CGIE") and Colchester Global Investors Inc. (together "Colchester" or the "Group"). It sets out general principles that apply to the Group's remuneration structure in accordance with relevant law in force from time to time across each relevant jurisdiction. The Policy applies to all staff under relevant applicable law across each of those jurisdictions within which Colchester operates, save for some elements which only apply to Code Staff (as defined below) in accordance with applicable law. It is applied in a manner which is appropriate and proportionate to the nature, scale and complexity of the risks inherent in the Group's business model and which is aligned with relevant jurisdictional legal and regulatory obligations.

Remuneration Philosophy

The Group's remuneration philosophy is as follows:

- Aligning remuneration with client and shareholder value;
- Aligning total remuneration with corporate and individual performance and conduct in light of the business strategy, objectives and long-term interests of the Group;
- Encouraging a shared success culture but remunerating to attract, motivate and retain staff; and
- Integrating risk awareness and prudent risk management into the remuneration assessment.

The Group's remuneration philosophy, particularly in respect of determining variable remuneration, is reflected in the governance, design, implementation and risk-managed application of its remuneration procedures as further set out in this Policy under the following headings:

1. Governance and Regulation around Remuneration;
 2. Code Staff;
 3. Remuneration Structure: fixed and variable remuneration;
 4. Assessment of Performance in relation to Individual Pay;
 5. Alignment of Risk Management and Avoidance of Conflicts of Interest;
- and
6. Equal Opportunity.

1. Governance and Regulation around Remuneration

Governance: The Board of Colchester Global Investors Limited, as the parent company of the Group, oversees the implementation and review of this Policy while ensuring that all times as required, relevant policy and procedure takes into account relevant local jurisdictional legal and regulatory obligations. This ensures the application of the remuneration philosophy and remuneration policies and procedures and results in payment of remuneration in line with the Group's business strategy, risk profile, long-term objectives and compliance with applicable regulation across all of those jurisdictions in which Colchester operates.

The CGIL Board consists of three executive directors and two non-executive directors. This Policy is subject to review and approval by the Board (including its non-executive directors) on at least an annual basis in respect of an annual performance period running from 1 May to 30 April. Which of the Group's staff members are Code Staff (see Section 2 below) is assessed throughout the year and approved by the CGIL Board and/or the Board of the relevant entity, or other relevant Board in the case of other relevant jurisdictions. Colchester's Compliance function is also involved in the review of the Policy, including reviewing the approach to the identification of its Code Staff. This Policy is published on Colchester's website and a record of each annual Policy and its review shall be retained in accordance with the Group's record keeping procedures.

Regulation: The Group is subject to multiple regulations and guidance on remuneration all of which require it to operate sound and prudent remuneration policies which are consistent with sound and effective risk management in order to align the interests of asset managers and their clients.

2. Code Staff

Pursuant to such rules, Colchester identifies individuals who, due to their role and / or responsibilities, could potentially have a material impact on the Group's or an entity's risk profile or that of the portfolios that Colchester manages. For these purposes, the "risk profile" means prudential, operational, market, conduct and reputational risk. Such individual members of staff are referred to collectively as "Code Staff". Code Staff may include, (but are not limited to):

- Executive Directors of companies within the Group;
- Investment Managers;
- Members of the Group Senior Management team;
- Global heads of office, business units and key functions, including the Risk Management and Compliance teams;
- Individuals responsible for managing material risks, information technology and information security, outsourcing and new products; and
- Approved functions under relevant approved persons regimes.

Where relevant, each entity within the Group maintains a list of Code Staff. Due to the singular approach to portfolio and risk management employed within the Group, it is possible that certain Code Staff contribute to all types of products offered by Colchester whether in relation to Alternative Investment Funds (AIFs), UCITS or separate accounts and whether or not such products are those of the entity which employs that staff member. Accordingly some employees may be Code Staff of more than a single entity. Different parts of this Remuneration Policy may apply to different entity Code Staff, depending on the local remuneration rules applicable to such entity.

3. Remuneration Structure: fixed and variable remuneration

To be effective, Colchester aligns its payment structure which is detailed below with its compensation philosophy.

Fixed remuneration: Fixed remuneration is reflective of any employee's professional experience and responsibilities within the organisation. It is a permanent, pre-determined, non-discretionary and non-recoverable amount, not dependent on performance. Staff receive a competitive fixed base salary which allows for a fully flexible policy on variable remuneration. Base salaries are determined by the staff members' skills and experience commensurate with the role requirements and competitively aligned with the market. Base salary increases are managed annually. Where applicable, they are supplemented by pension benefits which are limited to employer contributions calculated as a percentage of base salary payable into pension plans established under applicable law. No discretionary pension benefits are payable.

Variable remuneration: Variable remuneration is discretionary and the flexible policy means it decreases as a result of the Group's negative performance, or an individual's performance, and could also go down to zero in some cases. Variable remuneration is payable in line with the Group's remuneration philosophy with a focus on motivating and rewarding staff's contribution to the success of the Group as a whole, whilst honouring its core values and risk management controls. Variable remuneration is paid in cash and vests on payment. The Group determines appropriate ratios between fixed and variable compensation in accordance with applicable regulation.

Whilst no transfers of units or shares of AIFs or UCITS are made to Code Staff by way of variable remuneration, many employees are required to invest a percentage of their total net remuneration in each financial year into shares of CGIL or units or shares of Colchester's AIFs or UCITS, subject to exceptional circumstances. Share ownership amongst employees ensures a clear alignment of interests between Colchester, its employees and its clients.

Variable remuneration of certain Code Staff may be subject to performance adjustment, malus and/or clawback (see "Clawback provisions" below).

Guaranteed bonuses and new hires: Colchester does not permit the use of guaranteed variable remuneration arrangements for any individual other than a new hire in the first year of employment, and then only on an exceptional basis having regard to an individual's remuneration arrangements with their prior employer, any additional guidance on the issue provided by applicable regulators, the role for which they are being recruited at Colchester and Colchester's capital base and long-term interests.

Retention Bonuses: In the event of certain exceptional circumstances, Colchester may pay a retention bonus to individuals required to continue in their role for a specific period to deal with such circumstances.

Leavers: No contractual arrangements are in place to provide early termination payments to any member of staff. Any such payments would be agreed at the time of termination in accordance with then applicable law and regulation and principles established by Colchester. Any such payments to Code Staff aim to ensure that leavers are not rewarded for failure or misconduct.

Non-executive Directors: Non-executive directors appointed within the Group who are independent and/or not employees of the Group may be paid fixed remuneration which is commercially negotiated, and variable remuneration will not be payable. CGIL's current non-executive directors do not receive any compensation.

4. Assessment of Performance in relation to Individual Pay

Subject to the performance of the Group, Colchester has established broad parameters which seek to recognise and reward employees who contribute the greatest value to the firm, having regard to individual performance, behaviours, experience and critical skills. In line with Colchester's policies, employees are subject to formal appraisal on an annual basis. The appraisal considers quantitative and qualitative factors in measuring employee performance including teamwork, self development and learning, accountability and innovation and constant improvement. Colchester also considers the employee's interaction with their clients, colleagues and other stakeholders, and adherence to Colchester's core values such as respect and humility. Compliance with the Group's policies and procedures, including policies and procedures relating to conduct and controls around risk, are considered as part of the appraisal. Specifically, Investment Managers' appraisals include an analysis of their contribution to Colchester's understanding of sustainability risk (as defined below) as applicable to its investment process. Colchester operates a performance ratings approach using a 5 point scale to assess employees against such performance metrics. However, contribution is not linked quantitatively, or algorithmically, to business performance.

5. Alignment of Risk Management and avoidance of Conflicts of interest

Risk Management Framework: Colchester's risk management framework focuses principally on the business and operational risks faced by the Group. The Group's risk management process consists of a cycle of risk identification and assessment, control evaluation and action planning, action completion, measurement and reporting, monitoring and assurance and Board level review.

Colchester believes that it has achieved a close alignment between its risk management objectives and remuneration policy and that its risk management objectives have been established with the interest of clients in mind and that in particular they are consistent with, and promote, sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile of the portfolios it manages. Colchester also believes that it has structured the business to avoid conflicts of interest.

These views are based on the following factors:

Firm Structure and Financial Performance:

- Colchester structurally operates in a manner designed to avoid conflicts of interest that may arise in respect of payment of remuneration; it thereby delivers better outcomes to its clients and shareholders. Colchester is founded on a belief that asset management is best performed in a singular focus firm. Colchester specialises in investment in sovereign bonds. This single business line model means that when it determines remuneration there is no confusion over performance metrics at business unit level, which ensures commonality of interests across the entire staff.
- Similarly, all Investment Managers follow a Colchester-wide investment process and all policy investment decisions are taken by an investment management committee and, in turn, remuneration is based on the performance of all the portfolios and the firm. Basing remuneration on shared success means individuals are not paid on the basis of the specific performance of a specific portfolio. Competitive base salaries ensure attraction and retention of appropriately skilled and experienced staff.
- Owner-managers are involved in the close oversight of business performance, risk management and remuneration awards.
- The remuneration model rewards staff on the basis of whole-firm performance, without regard to future performance and with a view to ensuring that capital and liquid resources are not eroded imprudently before the end of a financial reporting period. This approach results in a significant proportion of variable remuneration being awarded after Colchester's fiscal year end, with unpaid variable remuneration up to this time representing an effective additional capital resource, or source of self-insurance, and of greater liquidity and flexibility than reserves in the form of share capital. In-year adjustments to any mid-year variable remuneration payments can also be managed through the variable remuneration which is only paid after Colchester's fiscal year end. This also ensures no variable remuneration is payable in the event the Group generates a loss, and limits variable remuneration payments where profitability declines.
- Colchester discloses the basis on which it establishes remuneration levels to all its shareholders. This level of transparency avoids conflicts of interest.

Employee Alignment:

- Competitive base salaries ensure attraction and retention of appropriately skilled and experienced staff.
- Significant staff ownership of Colchester shares enhances focus and aligns interest with those of its clients. The requirement to invest a percentage of annual total net remuneration into shares of CGIL or Colchester's AIFs or UCITS increases that alignment.

- Staff may not undertake personal hedging strategies or enter into remuneration- or liability-related contracts of insurance intended to undermine the objectives of Colchester.
- Appraisals are undertaken by line managers with direct reporting line responsibilities.
- All Investment Managers are Senior Managers or Certified Persons under SMCR, or its equivalent as applicable to other entities in the Colchester group, and annual assessments of fitness and probity and compliance with conduct requirements are incorporated into their appraisals.
- The performance of members of the control functions is determined by reference to independent objectives and separately from the business units that the control functions monitor and review. The remuneration of the Chief Compliance Officer and the Chief Risk Officer is assessed by the Chief Executive of CGIL, and this assessment is subject to review and approval by the CGIL Board. Salaries of control function employees are intended to be sufficient to attract and retain appropriately experienced employees.

Fees:

- An ad valorem basis for investment management fees (including those earned in respect of the management of AIF and UCITS assets) which are subject to competitive pressures in different markets and invoiced in arrears, avoids conflicts generated from the use of fees charged on the basis of other quantitative measures (such as levels of transactions) or those linked to future performance. This ensures alignment of interests between Colchester and clients.
- The limitation of the use of performance fees to a small number of accounts where a performance fee arrangement has been requested by the client in question and in which case fees are charged in arrears.

Investment process, instruments and vehicles:

- The Group does not hold client money and does not undertake proprietary trading so any conflicts this may present as between the Group (and / or individual employee) interests and client interests are avoided.
- There is at least fortnightly liquidity for investors in AIF and UCITS managed by Colchester.
- There is no delegation, and no intention to delegate, investment management activities, other than to Group entities covered by this Policy.
- The use of leverage is permitted only where consistent with a client's investment risk and reward objectives.
- Portfolios are predominately comprised of liquid sovereign bonds and currencies, with little to no derivative products, which provides contemporaneous transparent pricing and valuation of client portfolios.
- The consideration of sustainability risk in Colchester's investment philosophy ensures contingent liabilities are assessed appropriately. Colchester believes countries with better ESG practices and policies produce better economic outcomes, more stable balance sheets and better financial outcomes. "Sustainability risk" as defined in the EU Sustainable Finance Disclosure Regulation (2019/2088), means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment".

Clawback provisions: Whilst no variable remuneration is ever paid based on expected future-year revenue, Colchester has clawback and bonus recoupment arrangements which are applicable to certain Code Staff of CGIL in accordance with UK regulation. These arrangements are designed to enable it to recover variable remuneration in certain situations which are broadly:

- In the event of misconduct by act or omission that causes material financial or reputational harm to Colchester and that was engaged in knowingly and wilfully.
- If the variable remuneration was based on a material misrepresentation by the employee.
- If the employee was terminated via summary dismissal.

These arrangements collectively aim to ensure that undue risks are not taken and allow for variable remuneration to be adjusted if it is felt that they were. Colchester also believes that these arrangements address most potential for conflicts of interest arising in respect of individual remuneration. However, should any potential conflict arise in respect of this Policy, it will be referred to the Compliance and Human Resources functions.

6. Equal Opportunity

Colchester is committed to promoting equal opportunities and diversity in employment. In the implementation of this Remuneration Policy, all employees will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. Together these are called "protected characteristics". Colchester does not tolerate harassment or discrimination in any form under any circumstances. No staff member shall be victimised for taking proper and legitimate action against discrimination or harassment. Selection for employment, promotion, training or any other benefit will be on the basis of ability, merit and aptitude. All employees will be aided and encouraged to develop and fulfil their potential and the talents and resources of the workforce will be fully utilised to maximise the efficiency of the Group. All decisions in this regard will be made on fair and objective criteria, free from discrimination.