

European Student Accommodation Core Fund SCA SICAV-RAIF
Société d'investissement à capital variable – fonds d'investissement alternatif réservé



Remuneration Policy

Purpose

Stoneshield Investments Limited (hereinafter the “Investment Adviser”) has formulated this policy (the “Remuneration Policy”) in light of its appointment as investment adviser to European Student Accommodation Core Fund SCA SICAV-RAIF (the “Fund”). TMF Fund Management S.A., the alternative investment fund manager of the Fund (the “AIFM”), wishes to avail itself of the experience, sources of information, advice and assistance available to the Investment Adviser, and has appointed the Investment Adviser to perform various investment advisory and related services in connection with the investments and operations of the Fund. In this context, the Investment Adviser has contractually agreed to take adequate measures to comply with requirements applicable to the AIFM including those on remuneration.

The Remuneration Policy aims to ensure the payment of equitable, competitive remuneration to Key Managerial Personnel (“KMP”) and certain other employees having a material impact on the risk profile of the Investment Adviser which is based on individual performance, performance of the Investment Adviser and industry practices.

The purpose of the policy is:

- To determine remuneration based on the Investment Adviser’s business outlook, financial position, growth and trends and practices on remuneration prevailing in competitive compensation;
- To align the reward and recognition mechanism directly to the effort, performance, dedication, and achievement relating to the Investment Adviser’s operations;
- To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- To ‘Pay for Performance’ i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the goals of the company; and
- To ensure compliances and maintain high standards to governance.

1.1 Document history

Version	Date	Description	Reviewer
0.1	June 2023	Document creation	SM

1.2 Ownership of the Policy

This Policy is owned by the Head of Luxembourg Office.

1.3 Review cycle

This Policy was reviewed in June 2023 and shall be reviewed on an annual basis as well as on an ad hoc basis if changes in the Investment Adviser’s organization and/or policy so require.

2. EU Sustainable Finance Disclosure Regulation

The European Union has introduced a series of legal measures (the primary one being the Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088), the “Regulation”) requiring firms that manage investment funds or provide investment advice to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage or the investment advice they provide.

This document specifically addresses Article 5 of the Regulation:

“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”.

3. Sustainability Risk

According to Article 2 (22) of the Regulation, a sustainability risk is an environmental, social, or governance event or condition that, if occurs, could cause an actual or potential material negative impact on the value of an investment.

4. Integration of Sustainability Risk in Remuneration Policy

The Investment Adviser believes in aligning remuneration with its core principle of sustainability which itself contributes to long-term value creation and superior performance for all stakeholders. Sustainability risks are incorporated in the design and management of the Investment Adviser’s compensation model in a way that discourages unnecessary risk-taking and promotes a sustainable risk management approach to investing.

As such, it has established a compensation structure for its employees comprised of fixed (salary and benefits) and variable (bonus and, for some selected employees, carried interest) components. Sustainability risks are integrated into both components as detailed below.

Fixed Remuneration: The Investment Adviser offers employees a competitive annual base salary plus benefits without consideration of any performance criteria. The base salaries are benchmarked against European industry standards and reviewed annually to adjust against inflation and market changes if necessary. This is to ensure Investment Adviser attracts and retains industry-best talent to achieve superior fund performance and long-term, sustainable value creation. This approach also avoids having too large a proportion of the compensation tied to individual performance as this often leads to high-risk tolerance in investment decision making.

Variable Remuneration: The annual bonus of each KMP and certain other employees having a material impact on the risk profile of the Investment Adviser is dependent on the performance of the individual KMP or employee, the performance of the Fund, and the performance of Investment Adviser generally. The Investment Adviser considers ESG and sustainability risks and opportunity management when setting targets and evaluating performance in our variable remuneration schemes. For fairness and transparency, performance is measured against clear key performance indicators (KPIs) considered suitable for each position, including whether the relevant individual KMP or employee has complied with the Investment Adviser’s sustainability policies, including the Investment Adviser’s responsible investment policy. This assessment of compliance with the responsible investment policy as well as other quantitative criteria and qualitative criteria will be carried out by senior management.

Furthermore, investment professionals are assessed on how they incorporate sustainability risks in investment operations e.g., in the valuation model. Carried interest is also granted to select employees based on performance and tenure. Such allocation thereby also considers ESG and sustainability risk management, and performance. It rewards the performance of the employee and ties to long-term, sustainable value creation.

The following set of principles act as guiding factors when deciding the quantum of the variable remuneration in any given period:

- Align remuneration with the long-term interests of the Investment Adviser and its shareholders;
- Minimize complexity and ensure transparency;
- Link to annual business performance of the Investment Adviser;
- Promote a culture of meritocracy and is linked to key performance and business drivers;
- Reflective of market competitiveness to attract the best talent; and
- The extent to which the individual has (i) embodied the ESG principles; and (ii) adhered to the fundamental process based elements that are each contained in the Investment Adviser's responsible investment policy.

5. Key factors outlining Remuneration Policy

The Remuneration Policy ensures that the remuneration is competitive to:

- Motivate employees to perform better and develop a strong sense of belonging;
- Attract right talent from the market;
- Retain right employees in the organization; and
- Align with the Investment Adviser's core values and ESG principles.