HEPTAGON
Capital

Remuneration Policy

Heptagon Capital Limited (the "Firm")

Overview

This Policy sets out how the Firm ensures that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its Clients in accordance with the remuneration arrangements set out in the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and transposed in Part BI of the Investment Services Rules for Investment Service Providers and the Conduct of Business Rulebook.

The Management Body of the Firm is responsible for implementing this Policy and is kept apprised of the compliance risks related to remuneration by the Compliance Function.

The Management Body is represented in the Firm's Board.

Due to the size, nature and complexity of the Firm, the Firm has not established a Remuneration Committee. This approach will be reviewed in the event of a material change to the Firm

Scope and Application

This Policy applies to all staff of the Firm, with certain specified provisions applying only to those persons whose professional activities have an influence upon the corporate behaviour of the Firm or have a material impact on its risk profile or who are client-facing. Such staff are considered "Identified Staff" under this Policy.

Identified Staff are typically:

- Senior management (including Non-Executive Directors), control functions (i.e. staff responsible for compliance, risk and audit), business unit heads, risk takers (including managers and advisors);
- Staff who exert a material influence on the risk profile of the Firm;
- Staff in the Sales or Investor Relations functions that are involved in the distribution of the products and services of the Firm;
- Employees receiving total remuneration that takes them into the same remuneration bracket as senior management.

A full list of Identified Staff is detailed in Annex A.

Types of Remuneration

The Policy covers fixed or variable remuneration provided to an individual employed or contracted by the Firm in exchange for professional services rendered by them, including, inter alia:

All forms of compensation and benefits paid by the Firm; including

- Cash;
- Shares;
- Options;
- Cancellations of loans to relevant persons at dismissal;
- Pension contributions;
- Wage increases or promotions;
- Health insurance;

Dividends or similar distributions that partners/shareholders receive as owners of the Firm are excluded to the extent that they do not amount directly to the provision of services to clients, are not contrary to the best interests of the Firm's Clients and do not in any way amount to a circumvention of this Policy.

Remuneration Principles

The Firm has identified and implemented the following remuneration principles that are applied firm-wide unless otherwise stated.

Remuneration Principle 1:
Client best interests

A firm must ensure that its Remuneration Policy is consistent with and promotes the best interests of its Clients whilst not encouraging risk-taking that exceeds the level of tolerated risk of the Licence Holder.

It is the Firm's policy to promote sound and effective oversight and management in order to ensure Remuneration policies and practices taking into account the interests of all its Clients, with a view to ensuring that said Clients are treated fairly and that their short, medium or long term interests are not impaired by the remuneration practices adopted by the Firm.

As such the Firm maintains:

- Sound operational and regulatory systems and controls; and
- A strong culture of compliance sponsored by the Management body with specific policies and practices to address conflicts of interest.

Remuneration Principle 2:
Supporting business strategy, objectives, values and interests and avoiding conflicts of interest

A firm must ensure that its Remuneration Policy is in line with the business strategy, objectives, values and interests and includes measures to avoid conflicts of interest.

The Firm will ensure that its business strategy, objectives and values do not create a culture where staff are incentivised to place their own, or the Firm's, interests ahead of those of its Client(s). Avoiding this conflict of interest is central to the design of remuneration policies and practices. This Policy is considered against and is in line with the business strategy and model, objectives, values and long-term interests of the Clients and the Firm. This alignment of interest is essential in creating a strong culture of compliance and ensuring good outcomes for Clients.

The Firm considers all conflicts within its Conflicts of Interest Policy and processes. This requires the Firm to review potential conflicts of interest on a regular basis and take all appropriate steps to mitigate them.

Conflicts of interest involve a failure by the Firm to act in the best interests of its Client(s) and will typically involve a material risk of damage to that Client's interests. Either the Firm (and connected persons or other members of the Firm's group) may gain a benefit at the expense of a loss or disadvantage to a Client, or one Client may gain a benefit at the expense of a loss or disadvantage to another Client.)

When assessing a potential conflict of interest, the Firm will consider whether it:

- Is likely to make a financial gain or avoid financial loss at the expense of the Client;
- Has a distinct interest in the outcome of the service provided to the Client or of a transaction carried out on behalf of the Client;
- Has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client;
- Carries on the same business as the Client or
- Receives, or will receive, from a person other than the Client an inducement in relation to the service provided to the Client in the form of monies, goods or services other than the standard commission fee or fee for that service.
- Individuals may act unfairly between Clients if their remuneration structure encourages them to favour one Client over another.
- The Firm has a Gifts and Inducement Policy to ensure that no undue influence is brought to bear on the services provided to its Clients.

In addition, any remuneration packages relating to compensation or buy-out from a contract in previous employment must align with the long-term interest of the Firm.

Remuneration Principle 3:
Governance
A firm must ensure that the Management Body adopts and periodically reviews the Remuneration Policy and is responsible for its implementation, taking advice from the Compliance Function.

The Remuneration Policy and practices of the Firm are set, overseen and ratified by the Management Body. The Management Body shall have regard to input provided to it on the functioning of the Policy from across the business units, including from the Compliance function.

The Compliance function will be an integral part of the design process of the remuneration policies and practices, providing input based on the rules, Conduct of Business risks and staff adherence to the Compliance framework in place at the Firm.

This Policy will be reviewed on an annual basis.

Remuneration Principle 4:
Control function independence
A firm should 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.

The Management Body will review this Policy and its implementation.

Where possible, in accordance with the size, scale and resources of the Firm, it will ensure that control functions, and in particular the Compliance function, are independent of the business units they oversee, have the appropriate authority and are remunerated sufficiently in order to attract qualified and experienced staff.

The Firm’s Compliance Officer is not involved in the business's investment side, operating independently in the day-to-day role and reporting directly to the Firm’s Governing Body.

Remuneration Principle 5:
Remuneration structures – Assessment of performance
A firm must ensure that remuneration is not solely or predominantly based on quantitative commercial criteria and shall take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients.

When designing remuneration policies and practices, the Firm will consider all relevant factors such as, but not limited to, the role performed by staff, the type of products offered and the methods of distribution (i.e. advised or non-advised, face-to-face or through telecommunications) in order to prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of their Clients and to ensure that the Firm adequately manages any related residual risk.

Decision-making on the total amount of remuneration is then based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the firm's overall results.

Financial and non-financial criteria are considered when assessing individual performance, including client outcomes.

The amount of variable bonus is determined based on several factors, including the firm's profitability, performance of the individual employee and how each employee has conducted themselves during the course of the year. Variable compensation does not consider any expectations of future performance or firm profitability, it is strictly based on actual results.

Remuneration Principle 6:
Remuneration structures – Fixed and variable components of total remuneration
A firm must ensure that fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration. The balance is maintained at all times so that the remuneration structure does not favour the interests of the Firm or its relevant persons against the interests of any Client.

The Firm endeavours to attract high-calibre staff with market-competitive remuneration packages. Such packages align with the firm's business strategy, size and profile (and its peers). However, the Firm will ensure that such packages, particularly the award of variable remuneration, does not result in an unduly sales-driven environment that rewards the achievement targets without due regard to client outcomes.

In order to ensure appropriate ratios between the fixed and variable component of the total remuneration, the Board will ensure that the variable component shall not exceed 100% of the fixed component of the total remuneration for each individual. Only the shareholders of the Firm may approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual. Any approval of a higher ratio shall be carried out in accordance with the procedure set out in R3-5.3.3 xv(b) of Part BI of the Rules.

The Board also ensures that total variable remuneration does not limit the ability of the Firm to strengthen its capital base.

Fixed remuneration (i.e. salary) is agreed at the point of hiring the individual and is in line with prevailing market conditions for the specific person. Salaries are reviewed at least annually; however, salary is taken into account when allocating any variable remuneration component to ensure that each individual's total compensation is within the limits expressed in this Policy.

Remuneration Principle 7:
Remuneration structures – Payments related to early termination
A firm seeks to ensure that payments related to the early termination of a contract reflect client outcomes achieved over time and are designed in a way that does not reward failure.

Any rewards pertaining to the early termination of a contract shall be carefully determined with deference to the best interests of the Firm's Clients, the staff member and the Firm itself. This alignment of interest seeks to achieve an equitable outcome for all and thus ensure clients' short-, medium- and long-term interests. The Management Body ratifies any such payments.

Remuneration Principle 8:
Remuneration structures – Payments related to early termination
The Firm will not pay remuneration through any vehicles or methods that will facilitate avoiding this Policy and the MFSA's remuneration rules.

Sustainability risk – Art 5 SFDR

Heptagon has reviewed its Remuneration Policy in accordance with the requirements of Article 5 of SFDR to ensure consistency with the integration of sustainability risks. The relevant details incorporated in that respect are featured below:

- Central to our remuneration policy is the promotion of sound and effective risk management, and this has now been extended beyond financial risks to encompass sustainability risks. In summary, relevant individuals involved in implementing and/or overseeing Heptagon's Sustainability Risks Policy will be assessed in this respect as part of determining variable remuneration awards by reference to their risk-adjusted performance. The Firm does not have any identified staff responsible for managing either a portfolio or asset level with quantitative sustainability-focused performance targets; therefore, this is a qualitative assessment regarding adherence to the Firm's internal procedures for integrating sustainability risk as outlined above.

- Further, another key aspect of the Firm's remuneration policy is avoiding creating an environment that rewards or encourages excessive risk-taking. Again, this principle has been extended beyond financial risk to incorporate sustainability risks, and for those individuals who have a role in ensuring or overseeing that the Firm's sustainability risk policy is adhered to, this is factored into decisions regarding variable remuneration awards.

Breaches of this Policy

Any agreement that contravenes a prohibition on persons being remunerated in a way specified in the Rules will be void.

Documented Approved by the Board November 2023

Annex A: Identified Staff

The following is a record of the Identified Staff of Heptagon Capital Limited ("The Firm.")

Position/Title	Date of Commencing of the Code Function
Director and General Manager (Senior Manager/Risk Manager/Money Laundering Reporting Officer)	Mar-2013
Head of Fund Operations	Apr-2023