

Lantern Structured Asset Management Limited Remuneration Policy (extract) March 2021

Purpose

This document is an extract of the remuneration policy of Lantern Structured Asset Management Limited ("**Lantern**" or the "**Company**").

Background

Lantern is a wholly owned subsidiary within the UBS Group AG group ("**UBS**" or the "**Group**"). UBS has a comprehensive compensation framework in place, which includes:

- A Group-wide system to measure the performance of employees (Performance Measurement and Management system or "**PMM**"); and
- UBS's Total Reward Principles.

A sub-committee of the board of directors of UBS is charged with overseeing the Group's compensation framework (the Compensation Committee). A description of the Group's compensation practices is available on www.ubs.com/investors¹

Policy²

Lantern's policy regarding remuneration is:

1. to comply with UBS compensation policies, principles and procedures, including those dealing with performance measurement and management and UBS's Total Reward Principles while also including measures to avoid any conflicts of interest or incentive;
2. to apply its remuneration policy according to its size, internal organisation and the nature, scope and the complexity of its activities; and
3. to comply with any legal or regulatory requirements to which Lantern is subject (e.g. as a result of AIFMD, UCITS V or MiFID II (where applicable)) which may be incremental to UBS compensation policies and principles.

Performance Measurement and Management

PMM is an online tool that records employee objectives and evaluation of their performance on a periodic basis (at least annually). Lantern considers and monitors the ongoing sustainability-related regulatory change and confirms that at present it does not integrate sustainability risks in the remuneration decision-making process at Lantern.

UBS Total Reward Principles

These principles apply to all employees of UBS, including those of Lantern. The key elements are as follows:

- Attract and engage a diverse, talented workforce
- Foster effective individual performance management and communication
- Align reward with sustainable performance
- Support appropriate and controlled risk-taking in accordance with the risk profile and instruments of incorporation of Lantern and the funds it manages

In addition, UBS Total Reward Principles defines Key Risk Takers ("Risk-Takers") as *"... individuals who, by the nature of their role, have been determined to materially commit or control the firm's*

¹ The 2019 UBS Compensation Report is included in the "Financial information" and "Annual reporting" section of www.ubs.com/investors.

² Remuneration and similar incentives shall not be 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. A balance between fixed and variable components of remuneration shall be maintained at all times, so that the remuneration structure does not favor the interests of the Company or its relevant persons against the interests of any client.

resources and/or exert significant influence over its risk profile." Risk-takers are subject to an additional evaluation by the relevant control functions. Further, as in the case of other high-earning or senior employees, a significant proportion of their annual variable compensation is deferred over a longer deferral period and is subject to additional performance conditions. The population of risk-takers is identified and reviewed on a regular basis. Local regulations may require additional provisions or restrictions for the affected employees.

Implementation and monitoring

Senior management of the Company shall be responsible for the day-to-day implementation of the remuneration policy and the monitoring of compliance risks related to the policy.

Approval of Policy

The Remuneration Policy is reviewed on an annual basis and approved periodically by the board of directors of Lantern.

Appendix – Additional disclosures

Background

Lantern Structured Asset Management Limited (the "**Manager**") has been authorised by the Central Bank of Ireland (the "**CBI**") as a UCITS Management Company under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended and as an Alternative Investment Fund Manager under the European Union (Alternative Investment Fund Managers) Regulations 2013, as amended (the UCITS and AIFMD Regulations together known as the "**Regulations**"). The Manager is subject to the relevant articles of the Regulations dealing with remuneration, as well as the Guidelines on Sound Remuneration Policies under the UCITS Directive published by the European Securities and Markets Authority (ESMA/2016/575) and the Guidelines on Sound Remuneration Policies under the AIFMD published by the European Securities and Markets Authority (ESMA/2013/232) as amended (the UCITS and AIFMD guidelines known as the "**Guidelines**").

The Manager is a wholly owned subsidiary of UBS AG and is part of the UBS group. The Manager has a remuneration policy in place which is consistent with the UBS group remuneration policy. The Manager policy was developed by senior management of the Manager, reviewed by the Human Resources function of UBS and approved by the Manager's board of directors. A summary of the key aspects of the UBS group remuneration practices is described in the following paragraphs.

UBS Compensation Governance and Philosophy

As determined in the Articles of Association and UBS's Organization Regulations, the Compensation Committee supports the board of directors of UBS (the "**BoD**") in its duties to set guidelines on compensation and benefits, to approve certain compensation and to scrutinize executive compensation. It is responsible for the governance and oversight of UBS's compensation process and practices, including considering the alignment between pay and performance and that the compensation system does not encourage inappropriate risk-taking. The Compensation Committee consists of four independent members of the BoD. The Risk Committee, a committee of the BoD, works closely with the Compensation Committee to reinforce that UBS's approach to compensation reflects proper risk management and control. The Risk Committee supervises and sets appropriate risk management and risk control principles and receives regular briefings on how risk is factored into the compensation process. It also monitors Group Risk Control's involvement in compensation and reviews risk-related aspects of the compensation process.

Overall, UBS looks across all elements of pay when making its decisions on total compensation. UBS regularly reviews its principles and compensation framework to remain competitive and aligned with stakeholders. For 2019, UBS enhanced its framework by introducing the Long Term Incentive Plan (LTIP). UBS will continue to review its approach to salaries and performance awards in light of market developments, its performance and its commitment to deliver sustainable returns to its shareholders.

UBS's compensation philosophy focuses on balancing performance with appropriate risk-taking and retaining talented employees. To achieve this, as performance increases, UBS reduces its overall performance award funding percentage. In years of strong performance, this prevents excessive compensation, resulting in an increased proportion of profit before performance award being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease, however the funding percentage may increase. UBS's performance award pool funding framework is based on Group and business division performance, including achievement against a set of performance targets. UBS also considers performance relative to industry peers, general market competitiveness and progress against strategic objectives, including returns, capital growth as well as risk-weighted assets and cost efficiency. UBS looks at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives.

UBS's compensation philosophy is to align the interests of its employees with those of its investors and clients, building on UBS's three keys to success – the UBS Pillars, Principles and Behaviours. UBS's Total Reward Principles establish a framework that balances sustainable performance as well as supporting growth ambitions and prudent risk-taking with a focus on conduct and sound risk management practices. UBS's compensation structure is aligned with its strategic priorities. It aligns the interests of its employees with those of its stakeholders and encourages employees to focus on

UBS's clients, create sustainable value, deliver on growth ambitions and achieve the highest standards of performance. Moreover, UBS rewards behaviours that help build and protect the firm's reputation – specifically integrity, collaboration and challenge. UBS strives for client focus, excellence and sustainable performance in everything it does. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which UBS operates. The Total Reward Principles apply to all employees globally, but may vary in certain locations due to local laws and regulations.

UBS Material Risk Takers

For relevant EU-regulated entities, UBS identifies individuals who are deemed to be Material Risk Takers (MRTs) based on local regulatory requirements, the respective EU Commission Delegated Regulation and the EU Capital Requirements Directive of 2013 (CRD IV). This group consists of senior management, risk takers, selected staff in control or support functions and certain employees whose total compensation is above a specified threshold. For 2019, UBS identified 755 MRTs across its EU entities.

UBS Fixed compensation

Employees' fixed compensation (e.g. base salary) reflects their level of skill, role, and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly. UBS offers its employees competitive base salaries that reflect their location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility. In addition to a base salary and as part of fixed compensation, some employees may receive a role-based allowance. This allowance represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only as long as the employee is in a specific role. Similar to previous years, 2019 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

UBS offers certain benefits to all employees such as health insurance and retirement benefits. These benefits vary depending on the employee's location and are intended to be competitive in each of the markets in which UBS operates. Pension contributions and pension plans vary across locations and countries in accordance with local requirements and market practice. However, pension plan rules in any one location are generally the same for all employees, including management.

UBS Variable compensation

A) Equity Plus Plan

The Equity Plus Plan is UBS's employee share purchase program. It allows employees below the rank of managing director to voluntarily defer up to 30% of their base salary and / or up to 35% of their performance award (up to CHF / USD 20,000 annually) for the purchase of UBS shares. Eligible employees may buy UBS shares at market price and receive one matching share for every three shares purchased through the program. The additional shares vest after a maximum of three years, provided the employee remains employed with the firm and has retained the purchased shares throughout the holding period.

B) Annual Performance Award

Most of UBS employees are eligible for an annual performance award. The level of the award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behaviour reflecting their overall contribution to the firm's results. They are awarded in line with applicable local employment conditions and at the discretion of the firm. In addition to the firm's Pillars and Principles, Behaviours related to integrity, collaboration and challenge are part of the performance management approach. Therefore, when assessing performance, UBS takes into account not only what was achieved, but also how those results were achieved. To reinforce the emphasis on sustainable performance, risk management and focus on achieving its growth ambitions, UBS delivers part its annual variable compensation through a deferral. This aligns the interests of employees and shareholders and appropriately links compensation to longer-term sustainable performance. Deferred compensation is delivered through a combination of equity-based plans and a contingent capital plan. The equity-based plans are (i) the Long-Term Incentive Plan (LTIP) which is for the most senior leaders of UBS, and (ii) the Equity Ownership Plan (EOP), which is for all other employees and which primarily aligns employee interest with those of UBS's shareholders. The Deferred Contingent Capital Plan (DCCP) aligns employees' interests with

the interests of debt holders. The average deferral period is between 3.5 and 4.4 years. One of the key objectives is to deliver sustainable performance, and therefore UBS links the EOP award vesting with minimum performance thresholds over a multi-year time horizon. The EOP awards have no upward leverage, and this approach promotes sustainable performance by establishing a minimum level of performance, below which awards are subject to full or partial forfeiture. To further promote sustainable performance, deferred compensation components include malus conditions. These enable UBS to forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. Deferred awards granted to UBS's most senior employees and to Highly Paid Employees (employees with a total compensation exceeding CHF / USD 2.5 million), Key Risk Takers (KRTs) and other selected employees are subject to performance conditions. Under the DCCP, employees who are not Material Risk Takers (MRTs) may receive discretionary annual notional interest payments. The notional interest rate for grants in 2020 was 1.50% for awards denominated in Swiss francs and 3.90% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments. Notional interest will be paid out annually, subject to review and confirmation by the Compensation Committee. Employees other than GEB members that receive performance awards with total compensation exceeding USD / CHF 300,000 are subject to a mandatory deferral framework, under which a significant portion of the performance award is deferred over a period of five years, or longer for certain regulated employees. The deferred amount increases at higher marginal rates in line with the value of the performance award. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation. For below-GMD employees, 60% of the deferred performance award is granted under the EOP and 40% under the DCCP. The EOP award vests in equal instalments in years 2 and 3 after the grant year, while the DCCP award vests in year 5 after the grant year. Certain regulated employees, such as Senior Management Functions (SMFs) and Material Risk Takers (MRTs), are subject to additional requirements (e.g., an additional non-financial conduct-related performance metric under the LTIP, more stringent deferral requirements, additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares which are blocked for 6 to 12 months.

UBS Control Functions

UBS control functions must be independent in order to monitor risk effectively. Therefore their compensation is determined separately from the revenue producers that they oversee, supervise or monitor. Their performance award pool is not based on the performance of these businesses, but on the performance of the firm as a whole. In addition, UBS considers other factors such as how effectively the function has performed, together with UBS's market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head of GIA and approved by the Chairman of the BoD. Upon proposal by the Chairman, total compensation for the Head of GIA is approved by the UBS Compensation Committee in consultation with the UBS Audit Committee.

Further information

Further details on the UBS policy and practices can be found in the 2019 Compensation Report and the 2019 Annual Report of UBS Group AG, both of which are available on www.ubs.com.

Proportionality – re UCITS

Given the small size and non-complex nature of the Manager, it has applied the proportionality provisions of the Guidelines. The below information provides the total remuneration paid by the Manager during the year to 31 December 2019. There is no allocation made by the Manager to each UCITS and as such the disclosure reflects the remuneration paid by the Manager in relation to work performed on all UCITS, and it excludes the remuneration paid by the Manager in relation to work performed on non-UCITS (e.g. AIF funds).

Of the total remuneration paid of EUR1,599,406 for the year ended 31 December 2019 to 19 beneficiaries, EUR1,271,064 (79%) has been paid as fixed remuneration. The remainder (21%) is variable remuneration. Remuneration code staff consists of those whom the Manager has determined undertake professional activities which have a material impact on the risk profiles of the Manager or of the UCITS, namely the board of directors of the Manager, senior management, material risk takers and control function staff. There are 11 individuals who meet this definition and their total remuneration was EUR1,015,080.

Proportionality – re AIFMD

Given the small size and non-complex nature of the Manager, it has applied the proportionality provisions of the Guidelines. The below information provides the total remuneration paid by the Manager during the year to 31 December 2019. There is no allocation made by the Manager to each AIF and as such the disclosure reflects the remuneration paid by the Manager in relation to work performed on all AIFs, and it excludes the remuneration paid by the Manager in relation to work performed on non-AIFs (e.g. UCITS funds).

Of the total remuneration paid of EUR141,190 for the year ended 31 December 2019 to 19 beneficiaries, EUR112,205 (79%) has been paid as fixed remuneration. The remainder (21%) is variable remuneration. Remuneration code staff consists of those whom the Manager has determined undertake professional activities which have a material impact on the risk profiles of the Manager or of the AIFs, namely the board of directors of the Manager, senior management, material risk takers and control function staff. There are 11 individuals who meet this definition and their total remuneration was EUR89,608.