

## T. Rowe Price (Luxembourg) Management S.à r.l - Remuneration Policy Disclosure

The T. Rowe Price (Luxembourg) Management S.à r.l (TRPSARL) acts as the management company for a number of funds that are classified as Alternative Investment Funds (AIFs) under the Alternative Investment Fund Managers Directive 2011/61/EU, as amended, (AIFMD). TRPSARL is therefore an Alternative Investment Fund Manager (AIFM) under AIFMD.

TRPSARL also acts as the management company for the T. Rowe Price Funds SICAV (the SICAV I), an open-ended investment company that qualifies as an Undertaking for Collective Investment in Transferable Securities (UCITS) under Directive 2009/65/EC, as amended, (the UCITS Directive).

TRPSARL has adopted a Remuneration Policy Statement (RPS) which sets out the policies, practices and procedures followed by the firm in order to comply with:

1. the European Securities and Markets Authority's "*Guidelines on sound remuneration policies under the AIFMD*", published July 3<sup>rd</sup>, 2013 (the **AIFMD Guidelines**),
2. the European Securities and Markets Authority's "*Guidelines on sound remuneration policies under the UCITS Directive*", published March 31<sup>st</sup>, 2016 (the **UCITS Guidelines** and together with the AIFMD Guidelines referred to as the **Guidelines**) and
3. CSSF Circular 10/437 regarding "*Guidelines concerning the remuneration policies in the financial sector*" (the **Circular**), published February 1<sup>st</sup>, 2010.

TRPSARL is a wholly owned subsidiary of T. Rowe Price Group, Inc. (**TRPG**), and the policies, practices and procedures described herein are predominately driven by those of TRPG. References within this disclosure statement to "T. Rowe Price" and "the company" refer to TRPG; references to the "firm", "UCITS management company" or the AIFM refer to TRPSARL.

AIFMs are first required to comply with the AIFMD Guidelines in respect of the first full performance period after becoming authorized; the RPS of the TRPSARL therefore will apply in respect of the year beginning 1 January 2015.

UCITS and their management companies will have to comply with the UCITS Guidelines starting from 1 January 2017.

The RPS aims to ensure that:

- the firm can attract and retain top quality, highly motivated associates;
- compensation practices provide incentives to associates that are consistent with good risk management and the appropriate management of potential conflicts of interest;
- associates know in advance what sort of behaviours and actions will be positively rewarded in the remuneration review process;
- the total amount of remuneration distributed by the Group/firm is sustainable and is consistent with sound financial management.

### Components of Remuneration:

- **Fixed basic salary** – Based on role of each individual associate, including the extent of the responsibility, job complexity and local market conditions.
- **Variable Cash bonus** – Varies according to the type of role undertaken and is based upon the performance of the individual associate in respect of a number of factors.
- **Long Term Incentive Program** – Under this program, associates may be granted stock appreciation rights, restricted stock awards, restricted stock units and stock options. The primary form of long-term equity for all recipients is restricted stock units. Restricted stock units granted vest in five equal tranches over a five year period, beginning on or around December 10th of the year following the grant.

- **Pension contributions** – Varies to some extent according to local market practice but aims to provide associates with an appropriate pension provision through a defined contribution plan.
- **Other benefits** – Varies to some extent according to local market practice but would typically include medical, sickness and life cover.

### **Governance and performance evaluation**

In determining the structure of the firm's compensation program and the appropriate levels of incentive opportunities, TRPSARL management and the Executive Compensation Committee ("ECC") of the TRPG Board consider whether the program rewards reasonable risk-taking and whether the incentive opportunities achieve the proper balance between the need to reward employees and the need to protect stockholder returns. While the design of our compensation program is primarily performance-based, we do not believe that it encourages excessive risk-taking. Indeed, the ECC believes an approach of on-going and discussion with TRPSARL management regarding progress on short and long-term goals enables informed decisions while avoiding the risks sometimes associated with managing short-term results to achieve pre-determined formulaic outcomes.

The ECC is comprised of all non-executive directors of TRPG's Board of Directors (see Appendix 1). Bill Stromberg (TRPG CEO), Brian Rogers (TRPG CIO and Chairman), Ed Bernard (TRPG Vice Chairman) and Deanna Fidler (TRPG Chief Human Resources Officer) typically are invited to each meeting.

An individual's performance is evaluated through a range of financial and non-financial factors; including risk reduction/mitigation, customer satisfaction, operational effectiveness, process enhancements; levels of cooperation; developments to the firm's reputation; and the individual's compliance with business policies and procedures.

### **Sound and effective risk management**

It is intended that TRPSARL's remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking that is inconsistent with the risk profile, rules or governing documents of the SICAV I or the AIFs managed.

In determining an individual's compensation, we analyze the goals, objectives and the results of each individual. Inherent in that analysis is reviewing "how" the individual achieved his or her results. Thus, risk analysis is imbedded in how we evaluate an associate's performance. Any risk management or compliance concerns which are raised about an associate may be taken into consideration when assessing the associate's performance. If an associate contributes to inappropriate risk taking that resulted or could have resulted in a material exposure to the firm, its AIFs or the SICAV I; this fact is a significant consideration when determining both their annual cash and any equity-based compensation adjustments.

It should however be noted that an individual associate's ability to expose the AIFs or the SICAV I is limited, as investment discretion for these funds is strictly controlled within mandated parameters. These parameters are generally coded within the Investment Manager's automated compliance system, strictly limiting the amount of risk that can be taken within the SICAV I and each AIF.

### **Interest alignment and the management of Conflicts of Interest**

TRPSARL believes that its compensation programs are designed to reward executives and other officers for building and strengthening the very core of our company's long-term viability, which contributes to long-term value creation for all clients (including the SICAV I and the AIFs) and shareowners. We seek to accomplish this through a balance of short-term fixed and variable cash compensation, and long-term equity-based incentives. We believe the stability of our management team over long periods of time, our executives' and staff-wide level of ownership in the company, and our unwavering focus on generating outstanding long-term performance for our clients are evidence that we have created a powerful alignment of incentives between our executive team, our associates, our clients and our shareowners.

The fixed element of each associate's compensation is sufficiently high to allow for a fully flexible policy on the variable component.

In order to educate associates, protect the firm's reputation, and ensure that the firm's integrity remains as a principle by which we conduct business, TRPSARL has adopted TRPG's Code of Ethics and Conduct ("Code"). The Code establishes standards of conduct that we expect each associate to fully understand and agree to adopt, including the appropriate management of conflicts of interest. Any identified regulatory or Code breaches by an associate are reported to the associate's line manager and are taken into consideration when assessing an individual associate's performance, and ultimately therefore impacting their compensation.

### **Proportionality**

Paragraphs 23 - 31 of the AIFMD Guidelines and paragraphs 22 - 27 of the UCITS Guidelines provide guidance on how AIFs and UCITS respectively can apply proportionality in complying with the Guidelines. The Guidelines allow AIFMs and UCITS management companies to comply with the remuneration principles in a way that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities. The AIFMD Guidelines further set out that in order for an AIFM to disapply any of the remuneration requirements under AIFMD, the AIFM must be able to explain the rationale to the relevant competent authority. The UCITS Guidelines state that not all management companies should have to give substance to the remuneration requirements in the same way and to the same extent. However, the UCITS Guidelines do not expressly allow UCITS management companies to disapply any of the remuneration requirements. The possibility for UCITS management companies to disapply remuneration principles will therefore be subject to the interpretation by the local regulator, namely the CSSF, until further legislative clarification will be adopted.

On the basis of proportionality it is proposed that TRPSARL, to the extent permitted, disapply the remuneration guidelines on:

- Variable remuneration in instruments
- Retention
- Deferral
- Ex post incorporation of risk for variable remuneration
- The establishment of a remuneration committee.

Paragraph 1.5 of the Circular notes that financial undertakings may take into account the nature, the size as well as the specific scope of their activities when taking measures to ensure implementation. It is further noted that the CSSF will take into account the size of the financial undertaking, the nature and the complexity of its activities when monitoring compliance with the Circular. Similar to the application of proportionality under the Guidelines, TRPSARL will disapply the sections of the Circular in respect of deferral, bonus clawback the ex post incorporation of risk for variable remuneration and the establishment of a remuneration committee.

### **Identified Staff**

The Guidelines note that AIFMs and UCITS must identify the staff covered by the Guidelines and classify them as "Identified Staff". The definition of Identified Staff covers the following categories of staff unless it can be shown that they have no material impact on the AIF's or UCITS' risk profile.

Under the Guidelines the following position should therefore be categorized as Identified Staff:

- All TRPSARL Board members
- All TRPSARL Conducting Officers
- The individual responsible for the oversight of all of TRPG's international risk management activities.

## Appendix 1

Independent Directors of T. Rowe Price Group Inc.

Mark S. Bartlett  
Mary K Bush  
H Lawrence Culp Jr.  
Dr. Freeman A Hrabowski  
Donald B. Hebb  
Robert F. MacLellan  
Olympia J. Snowe  
Dr. Alfred Sommer  
Dwight S. Taylor  
Anne Marie Whittemore  
Alan D. Wilson