



eQ Group's remuneration principles



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eQ Group's remuneration principles

1. Principles and goals behind remuneration

The remuneration systems used in eQ Group are based on the strategy and long-term goals defined by the Board, and they are important tools used for reaching the group's long-term and short-term strategic goals. The remuneration systems contribute to efficient risk management within eQ Group and, above all, preventing detrimental risk-taking. Comprehensive risk management aims at acknowledging i.e. the goals and values of the group companies, the managed funds and investors.

In order to ensure in-depth and comprehensive risk management, the eQ Group's remuneration principles cover all group companies, taking into account the specific characteristics relating to the remuneration regulation applicable to each group company. To the required extent, the group remuneration principles are also addressed by the boards of the group subsidiaries.

All employees of the eQ Group are covered by the remuneration system. Additionally, more specific principles may be applied to certain employees e.g. if required by applicable regulation.

The following regulation has been taken into consideration when preparing the group remuneration principles:

- the Finnish Act on Credit Institutions (610/2014) and the Capital Requirements Regulation (EU) No 575/2013,
- the Finnish Act on Common Funds (48/1999),
- the Finnish Act of Alternative Investment Fund Managers (162/2014)

and thereto related regulations and guidelines regarding remuneration issued by the Finnish Financial Supervisory Authority and the European banking and securities markets authorities.

The aforementioned rules and regulations have been taken into account in accordance with the principle of proportionality when determining the remuneration principles. When applying the principle of proportionality, especially the group size, the nature, scale and complexity of the organization and the business activities have been taken into account. The aim of applying the principle of proportionality has been to ensure that the remuneration principles and policies are in conformity with the risk profile, risk aversion and risk strategy of the group.



2. Remuneration system

The eQ Group's remuneration system consists of fixed remuneration and the annual bonus system. Additionally, the eQ Group currently has two option programs: Option Program 2010 and Option Program 2015.

When determining the fixed remuneration, each employee's professional skills (education, range of expertise and work experience) and organizational responsibilities are taken into account.

All employees of the eQ Group are in principle covered by the annual bonus system. The amount of the annual bonus is determined by the achievement of personal goals, the business unit's result and the result of eQ Group (qualitative and quantitative determinants). The more a person is able to influence the result of the group, the higher the share of eQ Group's result may be in determination of the annual bonus of the person. The long-term results and risks of the group companies (including the funds managed by the group) are taken into account when evaluating the result. The annual bonus amounts payable within the risk management and compliance unit as well as the legal unit are determined based on the achievement of personal and the business unit's goals.

eQ Plc's Board of Directors decides on the distribution and the amount of the annual bonuses and takes into consideration, among others, the principles presented below in section 3. The personnel are informed about the process and principles according to which the variable remuneration is determined.

The risks pertaining to eQ Group's remuneration system are, as a whole, regarded as low, based on the size of eQ Group and the nature and extent of its business.

The main principles of the remuneration systems of the eQ Group are competitiveness and fairness. In the eQ Group, the aim of the remuneration system is to encourage and reward the employees for their personal performance and contribution to the development of eQ Group's profitability and for acting in accordance with eQ Group's strategy. On the other hand, the objective of the remuneration systems is also to support the recruitment of committed, competent and professionally competitive persons and development and maintenance of their versatile expertise in accordance with the strategy, goals, values and long-term benefits of the eQ Group. The remuneration systems must be uniform in order to avoid conflicts of interest with respect to the actions taken.

3. Decision-making procedure

In accordance with its statutes, eQ Plc's Board annually reviews the principles guiding the remuneration systems and the persons covered by them. Possible



changes to the goals and risk strategy of the business are taken into consideration when updating the principles for remuneration.

The Board of Directors also decides the remuneration of the CEO and based on a proposal by the CEO, the remuneration of the members of the Management Team. Board and General meetings of companies within the eQ Group may also handle matters pertaining to remuneration systems and remuneration. eQ Plc's Board shall annually ensure, in a separately defined manner, that the eQ Group has complied with the remuneration system. Based on the principle of proportionality, eQ has taken the view that it is not necessary to appoint a separate remuneration committee, taking into consideration the number of directors and eQ's personnel as well as the nature of eQ Group's operations.

4. Remuneration principles

The main principles of eQ's remuneration systems are:

- The remuneration systems shall support the eQ Group's long-term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency.
- Remuneration must be designed to prevent unsound risk-taking. The remuneration system shall not encourage to such risk-taking that is contradictory to the rules of the group or the funds managed by it or to the interests of the clients.
- The Board decides on the payment of the performance bonuses based on the systems, and the decision will be made annually after the end of the incentive period.
 - ✓ A performance bonus will not be paid and it may be recovered as an unfounded benefit, in full or in part, if it is found that the person concerned has acted contrary to eQ's internal policies, laws or regulations or guidelines issued by authorities.
 - ✓ eQ may also refrain from paying out remuneration, if the eQ Group's solvency, capital expenses or liquidity or their foreseeable future development do not make it possible (e.g. based on a risk assessment process).
- The decision about remuneration is always made by the superior of the concerned person's superior.
- In principle, the share of the variable remuneration may not exceed 100% of the total fixed remuneration of the recipient. However, if a General Meeting of



the company that is the employee's employer so expressly decides, the variable remuneration can amount to 200% of the total fixed remuneration.

- Within the eQ Group it has been decided that the maximum annual amount of variable remuneration is EUR 500 000 per person.
- When paying out variable remuneration, the company shall take into consideration at least the following risks: risks that it is aware of at the time of making the assessment, future risks, eQ Group's capital expenditure and necessary liquidity. The total amount of the remuneration to be paid out may not restrict the consolidation of eQ Group's capital base.
- The remuneration of persons engaged in supervisory operations may not be directly dependent on the result of the business unit they supervise. The remuneration of persons engaged in supervisory operations depends on the achievement of their personal goals and performance. The remuneration of persons engaged in supervisory operations is supervised by eQ Plc's Board.
- As a rule, the group does not undertake to pay guaranteed variable remuneration. This is only possible, if eQ Plc's Board makes a decision about it for particularly substantial reasons, and even in such case the guaranteed variable remuneration can only apply to the first year of employment.
- Payments relating to premature termination of a contract shall be based on long-term results and shall not lead to rewarding of failed performance.
- Employees of the eQ Group may not use financial instruments or insurance in order to hedge the risk related to the remuneration payment.

5. The Identification Process

It is the responsibility of the Board of eQ Plc to identify the employees whose professional conduct has a significant impact on the risk profile of the eQ Group. The Board conducts an annual assessment in order to identify such persons. Identification of these employees is part of the practical implementation of the eQ Group's remuneration principles.

Based on the assessment of the eQ Plc Board, such employees within the eQ Group whose professional conduct has a significant impact on the risk position of the eQ Group, separate companies within the eQ Group or the funds managed by it are, at least:

- ✓ *the Managing Director of eQ Plc*



- ✓ *the Management Team of the eQ Group*
- ✓ *the Managing Director of eQ Asset Management Ltd*
- ✓ *the Managing Director of eQ Fund Management Company Ltd*
- ✓ *the General Counsel of the eQ Group*
- ✓ *the Compliance Officer of the eQ Group*
- ✓ *the persons working within the legal unit of eQ Asset Management Ltd*
- ✓ *the persons working within the risk management and compliance unit of eQ Asset Management Ltd*

as well as other employees who have a significant impact on the risk profile of the eQ Group, a subsidiary or a fund managed by eQ, and whose gross remuneration is within the same range as that of the aforementioned persons.

A list of the above-mentioned identified persons is maintained at group level.

6. The remuneration system applicable to identified persons and the variable remuneration granted and paid to such persons

If the variable remuneration of the above listed persons exceeds EUR 50 000 at an annual level, 50 per cent of the variable remuneration is deferred so that it is paid during the following three years (even payment each year). 50 per cent of the deferred remuneration is linked to the development of eQ Plc's share price. eQ Plc's Board shall annually decide on the interest possibly payable to the remaining part of the deferred remuneration. If the variable remuneration does not exceed EUR 50 000 at annual level, payment is not deferred.

7. Supervision of the remuneration system

The Board of eQ Plc supervises that the remuneration principles are complied with within the entire eQ Group. The Compliance Officer conducts an independent annual review regarding whether the eQ Group has complied with the remuneration systems defined by the Board and reports on the matter directly to eQ Plc's Board.

eQ complies with obligations regarding publicity of information related to the remuneration systems as set out in the regulations applicable to public companies, in the Capital Requirements Regulation and regulations issued based on it, and in the Finnish Act on Common Funds. The size of the eQ Group and the nature, scale and complexity of its business operations are taken into account when the said information is made public. The remuneration principles are available on the eQ Group's website as well as for the company employees on the intranet.