

Remuneration Policy

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Policy owner:	Chief Executive Officer
Independent reviewer:	Chief Compliance Officer
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Introduction, background and purpose

Chapter 3 a, Section 3 of the Swedish Financial Supervisory Authority's regulatory code (FFFS 2017:2) regarding investment firms ("Regulation 2017:2") states that a portfolio management Company is required to have a documented remuneration policy. The remuneration policy comprises the foundations and principles of how remuneration shall be determined, implemented and monitored and how the Company defines employees whose duties have a material impact on the Company's risk profile, so called *specialy regulated staff* or *identified staff*.

The remuneration policy must be consistent with and promote sound and effective risk management as well as discourage excessive risk-taking. The remuneration policy must be updated and reviewed regularly.

The remuneration policy must be designed and applied in a manner that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its operations. The remuneration policy must also be consistent with the Company's business strategy, objectives, values and long-term interests. Against this background, Circulus Asset Management AB (the "Company") has adopted this Policy, the purpose of which is to ensure that The Company meets the requirements set out in Regulation 2017:2.

Target group

The Policy applies to all employees in the Company.

Definitions

Terms and definitions shall have the following meaning.

Employees whose duties have a significant impact on the Company's risk profile or Specially regulated personnel: Employees who the Company has identified in accordance with EBA Guidelines on sound remuneration policies under the Investment Firm Directive.

Discretionary pension benefits: A pension benefit that a Company grants to an employee on an individual basis as part of his or her variable remuneration. This does not include accrued benefits granted to the employee earned according to the terms of the Company's pension system.

Remuneration: All remuneration and benefits to an employee (e.g. cash salary and other cash remuneration, remuneration in the form of shares or share-related instruments, provisions for pensions, severance pay and corporate car).

Internal controls: The Company's department(s) for risk control, compliance and internal audits or the equivalent.

Senior Management: The CEO, the deputy CEO other persons in the Company's Management Group or similar body who are directly responsible to the Board or CEO, such as the CFO, if he is employed by The Company.

Risk taker: An employee belonging to a category of staff whose professional activities can have a material impact on the firm's risk level. This normally refers to employees who can enter into agreements or take positions on behalf of the firm or in any other way impact the firm's risks.

Specially regulated staff: Senior management and employees in the following categories of staff have been identified by the firm as specially regulated staff in accordance with Chapter 2, Section 3 of Regulation 2011:1

- employees in strategic management positions,
- employees responsible for control functions,
- risk takers, and
- employees whose total remuneration is equal to or exceeds the total remuneration to any of the members of senior management.

Variable remuneration: Remuneration where the amount or size is not determined in advance. Variable remuneration does not include commission-based salary that is not linked to future risk commitments that could change the Company's statement of profit or loss or balance sheet.

Specially Regulated Staff/Identified Staff

A system that provides a high level of remuneration to an individual employee who has contributed to good results in the short term, but whose decisions in the long term could lead to losses for the Company, may distort the perspective of employees and can cause them to disregard the best long-term interests of the Company. An inappropriately designed remuneration system and the payment of variable remuneration may also negatively affect the Company's liquidity and result in the Company failing to comply with regulatory requirements.

In light of this it is of the utmost importance that a Company ensures that its remuneration policy and remuneration system are consistent with and promote sound and effective risk management. The role of remuneration is fundamental to the risk structure of finance companies. As a result of this, the Company's ability to identify such personnel as are defined above as specially regulated personnel is crucial to the assessment of whether a Company's remuneration policy and remuneration system meet the requirements of sound and effective risk management.

The Company must make an annual analysis in order to identify employees whose work has a material impact on the Company's risk profile. This analysis must take into account all risks that the Company is or may be exposed to, including the risks associated with the Company's remuneration policy and remuneration system. The analysis must be documented.

The Company has made an analysis in order to identify employees whose work has a material impact on the Company's risk profile for the financial year 2019. The analysis is shown in attachment 1 to this Policy.

Management and control

The Board shall decide on:

- remuneration to the executive management,
- remuneration to those responsible for compliance, risk management and internal auditing functions. If any of these functions have been outsourced, it is the CEO's responsibility to ensure that the fees are paid without any element of variable remuneration.
- measures to monitor the application of the Company's remuneration policy.

The Board's decisions shall, where applicable, comply with decisions taken at the Annual General Meeting with regard to remuneration in the Company.

The Company's compliance or internal auditing functions must review whether the Company's remuneration system complies with the remuneration policy. The function must report the results of the review to the Board no later than in conjunction with the adoption of the annual Financial Statements.

The Company must ensure that those employees responsible for control functions are independent of the business areas they oversee and have appropriate powers and resources to monitor and control the risks associated with the Company's remuneration system. In the event that an employee in a control function does not consider that they have the appropriate powers or resources according to this provision, the CEO and the

Board must be informed as soon as possible and appropriate measures taken.

Employees in control functions must not receive variable remuneration.

Remuneration structure

General information on remuneration

The Company pays its employees through fixed and, where appropriate, variable remuneration. Fixed remuneration means a fixed salary or hourly rate. Salaries and hourly rates are determined individually with regard to relevant professional experience and organizational responsibility as set out in the employee's job description as part of the contract of employment. In determining the salary or hourly rate; education, seniority, level of expertise and skill as well as the market salary for the relevant position must also be taken into account. Medical insurance is also paid for employees in certain positions. All employees over a certain age are covered by The Company's applicable pension policy.

All employees in the Company may receive variable remuneration unless otherwise specified. Variable remuneration must be based on relevant and predetermined measurable criteria. These criteria must reflect a sustainable and risk-adjusted performance as well as performance over and above that required to meet the requirements of the employee's job description as part of the contract of employment. Variable remuneration must not encourage excessive risk-taking, including risks associated with sustainability and ESG. Some employees also receive variable remuneration in the form of a Company car.

Remuneration models that may exist in the Company must have an appropriate balance between fixed and variable components. Fixed components must account for a large enough portion of the employee's total remuneration to allow for the variable components to be zero. For employees who receive variable remuneration, the variable remuneration must never be greater than the fixed remuneration.

Variable remuneration must not contain discretionary pension benefits.

Guaranteed variable remuneration may only be provided for new employees and in exceptional cases if there are specific reasons to do so. Guaranteed variable remuneration is limited to the first year of employment and must be approved by the Board. This provision does not refer to the redemption of deferred remuneration, which is regulated discussed below.

If, in conjunction with taking up employment, an employee has deferred remuneration derived from their previous employment, The Company has the opportunity to offer the employee a compensation package in order to replace or redeem the previous employment contract. In the event that The Company chooses to take this opportunity to offer such a compensation package, The Company must ensure that the compensation

package used is consistent with this Policy (including the rules on deferred remuneration) and is consistent with Chapter 4 of the Regulations. *Compensation package* refers to all forms of remuneration that The Company pays or obligates itself to pay as part of the contract of employment and which are intended to compensate for the remuneration the employee would otherwise have received in their previous employment. The compensation package according to this provision must be approved by the Board.

The Company must ensure that remuneration, in addition to contractual salary and accrued holiday pay, which is payable to an employee in conjunction with the termination of their employment (e.g. golden parachutes) is related to the employee's performance during their employment and is calculated so that it does not reward unhealthy risk-taking. It is the CEO's responsibility to ensure that the Company does not enter into employment contracts that provide for predetermined remuneration to be paid upon termination of employment that cannot be adjusted based on the employee's performance and risk-taking.

Integration of sustainability risks

Sustainability risks are considered in terms of variable compensation with the aim of promoting a healthy business and culture and curbing excessive risk-taking. Qualitative criteria are stipulated in this policy and quantitative criteria are subjective and are balanced in relation to the employee's duties and responsibilities.

Performance assessment and risk adjustment

The Company's assessment of the results that form the basis for calculating variable remuneration must primarily be based on *risk-adjusted profit measurement*. Both current and future risks must be taken into account. In making an assessment, the Company must also take into account actual capital costs and the liquidity required for the operation.

The Company's performance assessments must also be made with a long-term perspective in mind, in order to ensure that these are based on results that are sustainable in the long term and that the Company's underlying business cycle and risks are taken into account when paying performance-based remuneration.

If the Company uses subjective assessments for adjusting the results based on risk, the considerations that form the basis for the adjustment must be well-thought-out and well documented.

The Company must ensure that its total variable remuneration does not limit the Company's ability to maintain sufficient capital or, where necessary, strengthen its capital base. This means that among other things the Company must consider

- the size and cost of the extra capital required to cover the risks that have affected the profit for the period;
- the size and cost of the liquidity risk; and
- the possibility that expectations about future income will not be met.

If the Company in any financial year, taking into account its aggregate income from all its operations, has generated an annual profit, gross of any tax, the Company undertakes, as far as legally possible, to distribute and disburse a share of the risk-adjusted result as a preference profit to its employees. The distributable profit share will be calculated according to the current shareholders' agreement.

The variable remuneration to specially regulated personnel is based on both the employee's results and the relevant profit center and the Company's overall performance. Both financial and non-financial criteria must be considered in the assessment of the employee's performance. The financial and non-financial criteria on which the Company bases decisions about remuneration must be specified and documented.

The Company must inform its employees of the criteria that determine their remuneration and how their performance is evaluated. HR is responsible for ensuring that the relevant criteria and performance assessment are produced by the employee's manager and that all employees are provided with this information. The assessment process and remuneration policy must be accessible to all employees.

All employees within the Company are assessed on the same criteria:

- The employee's contribution to The Company achieving its goals;
- How well and professionally the employee performs their duties and how well the employee's objectives have been achieved;
- General behaviour amongst colleagues and towards clients;
- Commitment and contribution to The Company's development and strategy;
- Compliance with The Company's responsible investment's and sustainability policies
- If the employee is responsible for or participated in the Company incurring or risking incurring an expense, loss or bad will because of a breach of the rules of conduct or internal or external regulations. *Expense, loss or bad will* refers to damages, sanctions issued by regulatory authorities and reputational risk; and
- If the employee intentionally or by negligence has acted in breach of internal rules, values or procedures, including assuming excessive sustainability risks.

Each employee is evaluated annually based on their performance in relation the above criteria. The evaluation must also take into consideration any existing and future risks. The evaluation is managed and performed by the employee's manager. If deemed relevant and appropriate, the employee's manager shall obtain information from the management and other relevant officers of the Company about the employee's performance and risk-taking. Each employee must have an annual meeting with their manager at which the employee is informed of how their performance has been evaluated in relation to the above criteria. For specially regulated personnel, information must be obtained from the management and other relevant officers in conjunction with the annual evaluation of the employee's performance and in the assessment of how the

variable remuneration should be adjusted or withheld in accordance with the section Deferral below.

Deferral

In order to achieve a long-term risk perspective among employees, the following applies with regard to specially regulated personnel who during the course of a year receive variable remuneration amounting to at least SEK 100,000.

For specially regulated personnel who are not part of Senior Management, **40** percent of variable remuneration must be deferred for three years.

For members of the Management Group, the CEO and acting CEO, as well as for specially regulated personnel who receive an especially high level of variable remuneration (i.e. variable remuneration of at least SEK 500,000 or more during a year), **60** percent of the variable remuneration must be deferred for three years.

The Company must pay the deferred remuneration once a year, evenly spread across the time the remuneration is deferred (pro rata). This first payment will be made one year after the variable remuneration was determined. Before the variable remuneration is paid the Company must make an assessment of how the deferred variable remuneration should be risk-adjusted in accordance with the provisions on Attrition and adjustment of variable remuneration below.

The employee agrees not to use personal hedging strategies or insurance for the purpose of reducing or eliminating the effects of deferred remuneration being adjusted or eliminated. At the Company's request, the employee may be required to provide a written confirmation.

Attrition and adjustment of variable remuneration

A system that provides variable remuneration to an individual employee who has contributed to good results in the short term, but whose decisions could lead to increased risk and losses for the Company in the long term, may distort the perspective of employees and can make to disregard the long-term best interests of the Company.

The Company must ensure that variable remuneration to specially regulated personnel, including deferred remuneration, is only paid or transferred to the employee to the extent justifiable with consideration to the Company's financial situation and is motivated by the results obtained by the Company, the relevant profit centre and the employee. This means that even "up-front" payments of variable remuneration may need to be adjusted if previously deferred remuneration does not provide sufficient opportunity to adjust the total variable remuneration. For the same reason, it must also be possible to withhold variable remuneration in its entirety.

Before any variable remuneration is paid the Company must make an assessment of the criteria established above and the criteria that formed the basis for the determination of the relevant employee's variable remuneration. In particular the Company will assess whether the employee's conduct has led to new or increased risks in the business and whether the assessment made by the Company in conjunction with determining the employee's variable remuneration is still correct or if there are grounds for retroactively adjusting the employee's variable remuneration. Grounds for retrospective adjustment of variable remuneration are as follows: inappropriate or excessive risk-taking in relation to the employee's performance, the relevant profit centre or the Company's total performance, lack of compliance, conduct in violation of The Company's ethical Policy or conduct that resulted in or risked resulting in client complaints, damages, regulatory sanctions or reputational risk. The Company's Board of Directors retains the right to make decisions regarding whether an employee's variable remuneration should be adjusted or withheld.

Other

If an employee resigns from their position, regardless of the reason, after the employee was informed of a decision on variable remuneration but before any variable remuneration had been paid, the variable remuneration will then be waived and not paid. With regard to previous years' remuneration that had been deferred, such deferred variable remuneration shall not be waived, provided the Company has made an initial payment of the relevant variable remuneration. However, the provisions in sections *Deferred remuneration* and *Attrition and adjustment of variable remuneration* shall be applied as if the employee was still employed by the Company.

The determined variable remuneration includes holiday pay.

No pension is paid on the determined variable remuneration.

Publication of information on the remuneration policy etc.

The Company must publish an explanation on its website of how The Company meets the requirements of the Regulations with regard to its remuneration policy and remuneration system.

Expediting/publishing of the Policy

Unless special circumstances exist, this Policy will be sent via e-mail to everyone in the organization as well as published on the Company's intranet. Policy documents may not be distributed to any third party without the written consent of the CEO. The content of attachment 1 to this Policy is confidential as it contains information on remuneration to individual employees of the Company. Therefore, the content of attachment 1 must be deleted before the Policy is distributed.

Responsibility and administration

The author and contact person regarding this Policy is the CEO. The CEO is responsible for implementing the Policy, whereas the CCO is responsible for reviewing Compliance with its provisions.

Updates and amendments

The Company's Board of Directors shall regularly and at least annually, review and adopt the Remuneration Policy. Amendments will take effect from the date indicated above.

Documentation of completed Reviews of the Policy

Date of Review	Policy Version nr	Reason for Review	Description of changes of the Policy that the review led to	Examined by		
				CEO	CCO	CRO
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>