

# Remuneration Policy

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## 1. Purpose, scope and objectives of the policy

This Remuneration Policy is part of Mandatum Life Fund Management SA's (the "Management Company") processes for identifying, measuring, controlling and internally reporting risks the Management Company is associated with.

The Remuneration Principles of the Sampo Group, which the Management Company is part of, together with this Remuneration Policy state the basis and principles for remuneration applicable to the Management Company.

This Remuneration Policy includes the provisions of both the European Union's and the Grand-Duchy of Luxembourg's regulatory requirements relating to remuneration and corporate governance.

The Remuneration Policy is based *inter alia* on the principles that the remuneration structure should not encourage excessive risk-taking and that the remuneration of individual employees should not be in conflict with the Management Company's long-term interests or inconsistent with the risk profile, rules or instruments of incorporation of the AIFs and UCITS managed by the Management Company.

Moreover, this Remuneration Policy is consistent with the business strategy, objectives, values and interests of the Management Company and the AIFs and UCITS managed by the Management Company or the interests of investors of these AIFs and UCITS and includes measures to avoid conflicts of interest.

The Remuneration Policy is binding and applies to remuneration of any type paid to all employees in the Management Company.

The Remuneration Policy is adopted by the Board.

The Conducting Officers are responsible for the implementation of the Remuneration Policy under the supervision of the Board.

## 2. Definitions

The following specific terms are used in this Remuneration Policy:

- AIF: an alternative investment fund as defined under the AIFM Law.
- AIFM: an alternative investment fund manager, as defined under chapter 2 of the AIFM Law.
- AIFM Law: the Luxembourg law of 12 July 2013 related to alternative investment fund managers, as may be amended from time to time.
- AIFMD: Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers, as may be amended from time to time.
- Board: the board of directors of the Management Company.
- Conducting Officers: the conducting officers of the Management Company who have been entrusted with the day-to-day management of the Management Company

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- Control functions: The Internal Auditor<sup>1</sup>, the Risk Management Officer<sup>2</sup> and the Compliance Officer<sup>3</sup>.
- CSSF Circulars: CSSF Circular 14/585 regarding transposition of the ESMA guidelines on remuneration policies and practices (MiFID), CSSF Circular 18/698 (as may be amended, supplemented or replaced) on authorisation and organisation of investment managers incorporated under Luxembourg law and specific provision on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (“**CSSF circular 18/698**”), and Circular CSSF 10/437 on guidelines concerning the remuneration policies in the financial sector.
- CSSF: the Luxembourg supervisory entity of the financial sector, the *Commission de Surveillance du Secteur Financier*.
- Delegated Regulation: Commission delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.
- ESMA Guidelines: ESMA Guidelines 2016/575 on sound remuneration policies under the UCITS Directive and AIFMD of 31 March 2016 (the “ESMA Guidelines”).
- Management Company: Mandatum Life Fund Management S.A.
- Remuneration: What is paid, directly or indirectly to the employees of the Management Company (fixed salary, other cash payments, payments in the form of equity or equity-related instruments, provisions for pensions, severance pay, company cars and similar individually negotiated benefits).
- Remuneration Policy: this remuneration policy.
- Risk takers: Persons whose remuneration is in the same bracket as the Conducting Officers’ remuneration or who may engage the Management Company’s money by entering into trades on the Management Company’s behalf.
- Staff: Includes all people involved in the day-to-day operations who are not Conducting Officers.
- UCI Law: the Luxembourg law dated 17 December 2010 concerning undertakings for collective investment, as amended.
- UCITS Directive: Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended.

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<sup>1</sup> The internal audit function is delegated to the internal auditor of Mandatum Life Group.

<sup>2</sup> One Conducting Officer also acts as Risk Management Officer.

<sup>3</sup> The compliance function is delegated to PricewaterhouseCoopers, Société cooperative.

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- UCITS management company: a management company subject to chapter 15 of the UCI Law.
- UCITS: undertakings for collective investment in transferable securities authorised pursuant to the UCITS Directive.
- Variable compensation: A part of the remuneration that is not determined in advance as to its scope and size and that usually is dependent on performance.

### 3. Guiding documents

The remuneration structure of the Management Company is based on the Remuneration Principles of the Sampo Group, which have been adopted by the Board, and on the provisions of the AIFMD, the AIFM Law, the UCI Law, the Delegated Regulation, the ESMA Guidelines as well as the CSSF Circulars.

### 4. Principle of proportionality

The Management Company has taken into consideration the principle of proportionality in the sense that the Management Company, as an AIFM and as a UCITS management company shall comply with the principles stated in AIFMD, the AIFM Law, the UCI Law, the Delegated Regulation, the ESMA Guidelines and the CSSF Circulars, in a way and to the extent, that it is appropriate to its size, internal organization, nature, scope and complexity of its activities.

Considering more specifically:

1. The size of the Management Company and of the assets under management:
  - The Management Company has one AIF ( SIF fund including one sub-fund) under management with total amount of assets under management, including any assets acquired through the use of leverage of ca. EUR 12.500.000,000 as at 30 September 2019;
  - The Management Company has one UCITS under management (including five sub-funds) with total amount of assets under management ca. EUR 843.500.000 as at 30 September 2019;
  - The Management Company has three full time employees, all Luxembourg residents and conducting officers;
  - no branches or subsidiaries are envisaged.
2. The nature, scope and complexity of activities:
  - The Management Company is authorised to perform portfolio management, risk management, administration, marketing and other activities related to assets of AIFs and UCITS, but not discretionary portfolio management or other additional services;
  - the type of investment policies and strategies of the alternative investment fund managed are not considered complex (Equity Fund and Fixed Income)
3. The internal organisation of the Management Company, which is that of a public limited liability company (*société anonyme*);
4. The delegation of activities

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- The Management Company delegates the portfolio management function to Mandatum Life Investment Services Ltd, being a company incorporated in Finland, registered with and subject to the supervision of the Finnish Financial Supervision Authority (Fi. Finanssivalvonta).

The Management Company is of the opinion that given the actual size, complexity and risk profile, it would be appropriate to make use of the principle of proportionality as regards the following requirements regarding remuneration:

- payment of variable remuneration in non-cash instruments and retention period;
- deferral and ex-post incorporation of risk for variable remuneration;
- requirement to establish a remuneration committee.

## **5. Beneficiaries**

### 5.1 Board members

The Management Company pays no remuneration to the members of the Board except for non-Group directors and will pay no remuneration to members of the Board, if any, who are also Conducting Officers.

### 5.2 Conducting Officers

The remuneration of the Conducting Officers is determined by the Board. Conducting Officers who are also members of the Board, if any, are prohibited from attending the discussion, handling and deciding on the Conducting Officers' remuneration.

### 5.3 Control functions

The remuneration paid to the Control functions is determined by the Board based on the achievements and objectives of their functions and independently from the performance of the specific business area they support, therefore helping to prevent any potential conflicts of interest.

### 5.4 Identified staff

The Management Company's executive and non-executive Board members, senior management, Control functions, staff responsible for heading the investment management, administration, marketing, human resources and other Risk takers, shall be included in the definition of identified staff, unless they have no material impact on the Management Company's risk profile or on a UCITS it manages.

### 5.5 Risk takers

No Risk takers have been identified.

### 5.6 Staff

The remuneration of the Staff is determined by the Conducting Officers under the supervision of the Board.

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## 5.7 Remuneration Committee

By virtue of the principle of proportionality, the Management Company does not have a remuneration committee.

## 6. Special rules on remuneration

### 6.1 Fixed compensation

Fixed compensation affects the Management Company's financial stability. Therefore, a prudent setting of salary levels is crucial. The Management Company's fixed salaries shall be competitive but not market leading. They shall amount to a sufficient portion of total compensation to ensure that the employees are not dependent on variable compensation. Changes in salaries and setting of salaries when hiring people shall be based on facts, such as market data.

### 6.2 Variable compensation

Variable compensation systems shall be designed to create financial stability and value for the Management Company. Variable compensation is furthermore an important tool in order to ensure that remuneration packages offered to employees are in line with conditions on the market and to make it possible to differentiate compensation between employees based on performance.

Variable compensation may consist of short-term incentive programs, long-term incentive programs and discretionary rewards in the form of gratuities and shall be governed by the following principles.

- Variable compensation shall encourage long-term value creation and be based on a well-balanced risk horizon;
- Variable compensation shall increase with increased responsibility and with the ability to influence the work of others and the profitability of the Management Company;
- Variable compensation shall as a rule be based on a combination of the performance of the individual, the business area and/or business unit concerned, the overall results of the Management Company and the overall results of the Mandatum Life Group, assessed on the basis of a predefined framework, as determined by the Board;
- Variable compensation shall be designed in a way that excessive risk-taking is avoided;
- In the setting of targets, targets that by their nature seek to balance risk should primarily be used. Where possible, targets connected to the result of the business area/business unit and the Mandatum Life Group shall be based on public quantitative indicators;
- Programs for variable compensation shall always include triggers and caps on the payment of variable compensation;
- All variable compensation guidelines and all target documentation on variable compensation shall include a clause that gives the Board or the person the Board determines, the right to determine the compensation to zero (0) if it is

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necessary due to the Management Company's financial situation or a staff member's actions;

- When the compensation of an individual employee is determined, also qualitative criteria like the requirement that the employee follows internal and external rules for the business should be taken into account. Evaluation of targets should be conducted continuously and the grandparent principle always applies.

Variable compensation shall be paid in the form of a bonus in cash, payable at 100% on the payment day following the allocation, as determined by the Board, unless deferred under Section 6.5 below of this Remuneration Policy.

Variable compensation shall not be paid through vehicles or methods that facilitate the avoidance of the requirements of the AIFM Law, the Delegated Regulation or the UCI Law.

### 6.3 Balance between fixed and variable compensation

If an employee's remuneration includes a variable component, there shall be an appropriate balance between the fixed and variable parts. What is an appropriate balance will vary between different categories of staff and shall be decided by the Board through the annual approval of levels and contents of the variable compensations that shall be offered in a given year. The total variable compensation may not be of a size that threatens or limits the ability to strengthen the Management Company's capital base.

### 6.4 Limitation of guaranteed variable compensation

A guaranteed variable remuneration is permitted only in conjunction with new employment and shall then be limited to the first year. Remuneration in the form of so-called "stay-on bonus" is not allowed.

A "golden parachute" may be awarded to employees leaving the Management Company for their performance achieved over time only where it is ensured that such variable remuneration does not reward failure of any kind.

### 6.5 Deferred payment or loss of variable compensation

The rules in this paragraph shall also apply to payments during the period of notice or after the employment has ended due to resignation or retirement or in case of death of the employee.

For any employee who receives variable compensation, at least 40 per cent of the variable compensation shall be deferred for three years if that employee has a maximum variable compensation exceeding 50 % of the yearly fixed salary and realised variable compensation exceeds 50.000 euros. The same shall apply to the time of the final purchase of shares, share options or other equity instruments, if these are part of the variable compensation.

The right to deferred compensation is not waived only because the employment in the Management Company ceases. However, if an employee resigns or is dismissed due to negligence of duties or other reasons attributable to the person himself, any deferred variable compensation related to the negligence of duties shall not be paid.



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## 6.6 Hedging strategies

The employees of the Management Company may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. The Conducting Officers shall be responsible to monitor the use of such strategies by all employees entitled to variable compensation.

## 6.7 Pension policy

The pension policy, forming part of this Remuneration Policy, is in line with the business strategy, objectives, values and long-term interests of the Management Company and the AIFs and UCITS that it manages.

If an employee leaves the Management Company before retirement, the discretionary pension benefits shall be held by the Management Company for a period of 5 years in the form of financial instruments.

In the case of employment reaching retirement, discretionary benefits shall be paid to the employee in the form of financial instruments subject to a 5-year retention period.

The above provisions shall only apply to discretionary pension benefits and therefore not to the fixed contributions to the pension plan.

## 7. Governance

### 7.1 Board

The Board shall decide on:

- the remuneration of the Conducting Officers,
- the forms of variable compensation that shall be offered in a given year,
- the payment of variable compensation for the past performance period/s, and
- whether deferred variable compensation shall be paid in full.

The Board may in respect of deferred variable compensation decide:

- to cancel the compensation in whole or in part if it later turns out that the employee, unit or company performance has not met the performance criteria, and
- to cancel the payment in whole or in part or to further defer it if the Management Company's financial position deteriorates significantly.

In its pay-out decisions, the Board shall be guided by the corresponding decisions made by the Sampo plc board of directors. The Sampo plc board of directors shall furthermore annually decide on maximum payouts of variable compensations for the Mandatum Life Group.

### 7.2 Implementation guidelines

The Conducting Officers are responsible for determining detailed rules and procedures concerning remuneration for each year in accordance with this

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Remuneration Policy and the Sampo Group Remuneration Principles. Such rules and procedures have to be approved by the Board prior to entry into force.

## **8. Reporting, monitoring and control**

### **8.1 Reporting**

The Conducting Officers shall report to the Board annually on the fulfilment of the conditions for pay-out from short-term and long-term incentive programs, the pay-out amounts from these programs and on any deviations from this Remuneration Policy.

### **8.2 Monitoring and control**

In accordance with applicable regulatory provisions, the review of the implementation of this Remuneration Policy falls within the scope of the third level controls made by the Internal Auditor and the Compliance Officer of the Management Company at least on an annual basis. The control function shall, in the event of major findings, immediately report the results of the audit to the Board and shall, in any event, report all audit results to the Board at least annually. Copies of such reports have to be kept to the disposal of the CSSF.

## **9. Information**

### **9.1 Disclosure of information on remuneration**

The present Remuneration Policy is at the disposal of the CSSF, the Board, the Conducting Officers, the Internal Auditor and the Compliance Officer of the Management Company.

As required by the UCI Law, details of the Remuneration Policy, including the persons in charge of determining the fixed and variable remunerations of staffs, a description of the key remuneration elements and an overview of how remuneration is determined, will be available on <https://www.mandatumlife.lu/>.

A paper copy of the Remuneration Policy is available free of charge to the shareholders of the AIFs and UCITS managed by the Management Company upon request.

### **9.2 Information to employees**

The general principles of the Remuneration Policy shall be available to the employees of the Management Company. The employees should be informed about the remuneration criteria and the appraisal process.

## **10. Update and approval**

This Remuneration Policy shall be reviewed by the Conducting Officers and approved by the Board annually and every time deemed necessary in respect of regulatory changes, market changes or changes within the Management Company.