

Remuneration policy – ISEC Services

Latest updated 2023-03-30

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1. Definitions

The terms and designations used in this policy shall have the following meanings.

Employees in strategic management positions: Employees, other than senior management, who have management roles and are responsible for the day-to-day activities of the undertaking.

Discretionary pension benefit: A pension benefit which an undertaking grants to employees on an individual basis as part of their variable remuneration package. This does not include accrued benefits earned by employees under the terms of the managers' pension scheme.

Remuneration: All remuneration and benefits from the undertaking and all amounts that are paid directly by the fund (including carried interest) to an employee. "Remuneration and benefits from the undertaking" refers to, for example, salaries and other cash remuneration, remuneration in the form of units or shares in a securities fund or an alternative investment fund or an instrument that achieves a corresponding common interest as units or shares in an alternative investment fund, pension provisions, severance pay or company cars.

Control function: an undertaking's function(s) for risk control, compliance and internal audits or the equivalent.

Risk-takers: An employee belonging to a category of staff whose professional activities can have a material impact on an undertaking's or a managed alternative investment fund's risk profile; this normally refers to employees who can enter into agreements or take positions on behalf of the AIF manager or a managed alternative investment fund or in any other way impact the manager or the managed fund's risks.

Identified staff: Senior management and employees in the following categories of staff have been identified by the undertaking as identified staff:

- a) employees in strategic management positions;
- b) employees responsible for control functions;
- c) risk-takers; and
- d) employees whose total remuneration is equal to or exceeds the total remuneration of any of the members of senior management.

Variable remuneration: Remuneration, the amount or size of which is not determined in advance. Variable remuneration does not include commission-based salary not linked to future risk assumptions that may alter the undertaking's or an alternative investment fund's profit and loss statement or balance sheet.

Senior management: The managing director, the deputy managing director and other members of the undertaking's management group or similar body that reports directly to the board of directors or the managing director.

2. Policy target group

The remuneration policy applies to all employees of the Company.

3. Basic analysis of the Company's remuneration policy and remuneration system

3.1. Basic analysis

The regulations provide that the Company shall analyse which risks are associated with the Company's remuneration policy and remuneration system. Based on the analysis, the Company shall identify identified staff.

Within the context of the analysis work, the Company shall document and specifically explain whether employees in strategic management positions, employees with responsibility for control functions, risktakers and employees whose total remuneration is equal to or exceeds the total remuneration of any of the members of senior management are not considered to have a material impact on the Company's or the managed alternative investment funds' risk profile and therefore shall not be regarded as being part of the Company's identified staff.

Each year, the Company's managing director shall perform the aforementioned analysis and present it in writing to the board of directors which shall take decisions regarding which personnel shall be deemed to constitute identified staff of the Company. In the event personnel are newly employed during the year, the managing director shall ensure that a determination is made as to whether the new employee is to be included in the group of identified staff and shall, in the event of any doubt, submit the matter to the board of directors for a decision.

The remuneration policy must contribute to the Company's business strategy, long-term growth and sustainability without encouraging unnecessary risk-taking. This is ensured by offering market-based remuneration so that the Company can attract and retain competent employees. The levels of compensation are compared on a regular basis with other companies operating in the same markets. Any variable remuneration must have a long-term perspective with a focus on the Company's business strategy and long-term goals.

3.2. Measures to avoid conflicts of interest

A system which provides substantial remuneration to an individual employee who has contributed to good results in the short term, but whose decisions may lead to losses for the undertaking in the long term, can distort the employee's perspective and cause them to disregard the Company's best interests over the long term. An improperly arranged remuneration system and payments of variable remuneration may, furthermore, have a negative impact on the Company's liquidity and have as a consequence the failure of the Company to fulfil requirements of the regulations.

Against this background, it is of the utmost importance that an undertaking ensures that its remuneration policy and remuneration system are compatible with and promote sound and effective risk management, including integration of sustainability risks. Part of this work is to identify and present the measures to be taken in order to avoid conflicts of interest. Set forth below is a presentation of the measures which the Company will take.

Persons who participate in management or perform other services could potentially, in a poorly formulated remuneration system, assume excessive risks or violate the fund rules and the Company's internal rules in order to raise their own remuneration level in the short term. In addition, the fund assets could be valued at an amount in excess of the market price in order to increase the fees charged by the UCITS.

The potential conflict of interest is addressed by adoption of this remuneration policy by the Company which thoroughly regulates when and how remuneration will be paid. In addition, an independent valuation of the funds managed by the Company is carried out.

The Company has further identified the fact that its interest is to generate profit for its owners while the customers' interest is to obtain the best possible return on invested capital in relation to the risk level and at the lowest possible cost. As a consequence, the incentives of the customer and decision-takers in the Company may not coincide, and the Company or individuals in the Company may assume risks involving the customers' assets for their own benefit and earn more from an increase than they lose on a decrease. Accordingly, in order to put the interests of the parties on par, the fees will be clear. Anticipated risks and investment limitations are specified and may not be exceeded.

4. Governance and control

The board of directors shall take decisions regarding remuneration paid to identified staff.

These decisions shall cover both fixed and variable remuneration. The managing director, or the person to whom he or she has delegated responsibility, shall take decisions regarding remuneration to personnel who are not part of the group of identified staff.

Given the Company's size, the size of the funds managed by the Company, the Company's internal organisation and the nature, scope and complexity, the Company is of the view that the Company need not establish a special remuneration committee. Thus, it is the responsibility of the board to make decisions on compensation and measures as indicated above. The company has appointed the function for internal audit to constitute an independent control function with regard to remuneration policy and remuneration system as well as decisions on remuneration.

The Company's internal audit function shall, not less than once per year, examine whether the Company's compensation system corresponds to the compensation policy. Not later than in conjunction with the adoption of the annual accounts, the function shall report the results of the review to the board of directors. In case of deviations from this remuneration policy, reporting to the board must take place immediately.

5. Structure of the remuneration

5.1. Balance between fixed and variable remuneration

Remuneration models used by the Company shall have an appropriate balance between fixed and variable components. A guaranteed variable component may only be applied in exceptional cases and only in conjunction with new hires. Such remuneration shall be limited to the first year of employment.

The fixed components shall represent a sufficiently large share of an employee's total remuneration in order for it to be possible to reduce the variable component to zero. In its remuneration policy, the Company shall specify the maximum ratio of the variable components to the fixed components for all categories of employees eligible for variable remuneration. The Company has made the determination that such remuneration may not, in any case, be set at an amount exceeding an equivalent of six months' salary. Exceptions to this principle may only be decided by the board of directors.

5.2. Persons entitled to variable remuneration, etc.

All employees shall be entitled to variable remuneration in the form of a profit sharing program adopted by the group.

In addition to the above, personnel who are not employed in control functions may receive a bonus for extraordinary performance. Such bonus shall not constitute a substantial part of the fixed remuneration, and the total of such bonuses for an individual year for an employee shall at no time exceed SEK 100,000. Where applicable, a bonus shall be proposed by the managing director and approved by two members of the board of directors acting jointly.

A basic condition for the payment of variable remuneration is that the group reports a positive EBITDA. The variable remuneration shall include social security fees and does not form the basis of pensions or holiday wages.

Variable remuneration does not include commission-based salaries which are not connected to such future risk assumptions as may alter the undertaking's profit and loss statement or balance sheet.

Variable remuneration shall not include discretionary pension benefits.

In the event remuneration in addition to contractual salaries and accrued holiday remuneration are payable to an employee in conjunction with termination of employment, a decision regarding such remuneration may only be taken by the managing director and must be approved by two board members jointly. Such remuneration shall reflect the employee's performance during the period of employment and be calculated in such a manner as not to avoid unsound risk-taking.

5.3. Performance assessment and risk adjustment

According to the regulations of the Swedish Financial Supervisory Authority, the financial and nonfinancial criteria forming the basis of the Company's remuneration decisions regarding identified staff shall be specified, documented, and appended to minutes of meetings of the board of directors in which decisions regarding variable remuneration are taken.

The following is stated in the regulations: The undertaking's performance assessment used to calculate variable remuneration components shall be based on risk-adjusted profit measures. Both current and future risks shall be taken into account.

In the event an undertaking adjusts its performance for risk based on subjective assessments, the considerations serving as the basis for the adjustment shall be well-balanced and documented.

An undertaking's performance assessment shall be based on a multi-year perspective adapted, among other things, to the lifecycle of the alternative investment funds under management. This shall ensure, in part, that the assessment is based on sustainable, long-term performance and, in part, that the undertaking's underlying business cycle and the redemption policy and investment risks, including sustainability risks, of the managed alternative investment funds are taken into account when paying variable remuneration.

An undertaking shall base the variable remuneration to identified staff on the employee's performance, on the performance of the relevant business unit or alternative investment fund, and on the undertaking's total performance. Both financial and non-financial criteria shall be taken into account in the assessment of the employee's performance.

When preparing board decisions on compensation and measures stated above in section 5, the financial and, where applicable, non-financial criteria that are the basis for decisions on compensation must be stated.

In conjunction with decisions regarding remuneration to personnel who are not part of the group of identified staff, it shall be incumbent on the managing director, or the person to whom he or she has delegated the responsibility, to take into account the financial and, where applicable, non-financial criteria which shall form the basis of the decision of the board of directors regarding remuneration in accordance with the preceding paragraph.

5.4. Deferral

Identified staff

In order to achieve a long-term risk perspective, the following shall apply to identified staff.

As regards identified staff, 40 per cent of the variable remuneration which, over a period of one year, exceeds SEK 100,000 shall be deferred for a period of not less than three years before it is paid or ownership of units in accordance with section 6.5 passes to the employee. In the event a person who is part of the group of identified staff receives variable remuneration which is more than double the amount of the average variable remuneration paid to identified staff, 60 per cent of that part of the variable remuneration which, over a period of one year, exceeds SEK 100,000 shall be deferred for a period of up to three years before it is paid or ownership of units in accordance with section 5.5 passes to the employee.

The Company shall pay deferred remuneration once per year evenly distributed over the period of time in which remuneration was deferred (pro rata). The first payment may be made at the earliest one year after the decision to grant variable remuneration.

Where applicable, by means of a written agreement with the employee, the Company may ensure that the employee undertakes not to use personal risk-hedging strategies or insurance for the purpose of mitigating or eliminating the effects of an adjusted or cancelled deferred remuneration.

Other personnel

As regards personnel who are not part of the group of identified staff, payment of decided variable remuneration need not be deferred. Furthermore, remuneration need not in any respect be comprised of units in a fund managed by the Company. The managing director, however, shall be authorised to take decisions in respect of one or more employees to defer remuneration in the same manner applicable to identified staff in the event the managing director makes a determination that such is necessary in order to achieve a long-term risk perspective.

5.5. Units in funds managed by the Company

Where possible with regard to the legal structure of the relevant alternative investment funds and fund rules, the Company shall ensure that not less than 50 per cent of the variable remuneration to identified staff consists of units in the alternative investment fund(s) in respect of which the employee performs work duties. In the event work duties are performed for more than one fund, the allotment of units shall take place pro rata between the various funds.

The first paragraph shall apply both to variable remuneration deferred and variable remuneration which is not deferred. ISEC The employee may not exercise control over the allotted units for a period of at least one year after ownership of the instruments has passed to the employee. The aforementioned shall apply irrespective of whether the variable remuneration has been deferred.

5.6. Loss of remuneration

By means of a written agreement with the employee, the Company shall ensure that variable remuneration which has been deferred is only paid or awarded to the employee to the extent justifiable taking into account the Company's financial situation and the performance of the Company, the relevant business unit and the employee. The deferred portion of the remuneration may also be cancelled for the same reasons.

6. Publication of information regarding the remuneration policy, etc.

The company shall publish the annual report on its website and present simplified and clear information about the remuneration policy and the company's remuneration. Customers shall be provided with the full version of the compensation policy upon request.

The information must be published in a way that does not risk revealing the financial or other circumstances of individuals.

7. Adoption of the policy

This policy is adopted by the board of directors and enters into force on the day of the decision. The policy is to be established and approved annually or where necessary.