



ESTLANDER
& PARTNERS

Estlander & Partners Fund Management Company Ltd

Remuneration Policy

30 December 2016

1. Introduction and purpose

These guidelines on Estlander & Partners Fund Management Company's ("Company") Remuneration System apply to it and to its *identified staff* (specified in section 3). The general parts of this policy do also apply to other personnel. These guidelines have been made with due care and prudence in order to implement the rules set forth in the AIFM directive (2011/61/EU) ("Directive"), the Finnish legislation implementing the AIFM-directive and accompanying preparatory work, ESMA Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/201) as well as the latest regulation in Act on Common Funds Chapter 4 b (48/1999, CFA) that applies to remuneration policies (together referred to as "Regulations").

As it is important to maintain a solid trust towards the investors of the funds managed by the Company, these guidelines are made to promote an effective risk management and not to encourage excessive risk taking inconsistent with the rules of the funds managed by the Company.

The business objective of the Company is to

- successfully manage investment funds in the best interest of the investors and in accordance with their set risk and investment policies, and
- to grow revenue from successfully managing the investment funds.

The Company does not have a Compensation Committee due to the fact that it does not fulfill the criteria set for having one in CFA 4 b 30 g §. Effective supervision and monitoring of the Remuneration System is handled by the Board of the Company and the Risk Committee.

As the funds are non-UCITS funds, the provisions in CFA Chapter 4 b 30 i § and 30 j § do not apply to them. Therefore there are no instructions provided in the rules of the funds on paying the remuneration awards as fund units.

2. Principle of proportionality

The rules set forth in the Regulations have been implemented in accordance with the proportionality principle, taking into account the

- size of the funds managed by the Company
- size of the Company
- internal organization
- nature, scale and complexity of the activities
- tasks and responsibilities of each beneficiary

The following conditions have been taken into consideration when applying the principle of proportionality:

- the Company is unlisted
- the Company has no branches or subsidiaries

- the Company has a relatively small number of employees (< 15)
- the number of identified staff that is actually exerting an impact on the risks of the Company and the funds managed by it is limited
- the strategies applied to the funds allow for no human discretion
- the fact that the Company currently does not offer any additional services, as listed in article 6(4) of the Directive
- the fact that the already existing bodies (the board of the Company and the Risk Committee of the Estlander Holding group) offers sufficient monitoring and supervision

With respect to the above said, the Company has chosen not to apply the following parts of the Regulations:

- Retention
- Deferral
- Ex post incorporation of risk for variable remuneration

3. Identified staff

The Remuneration System is applied to groups of staff that due to their professional actions, have an essential impact on the risk profile of the Company or on an investment fund managed by it ("*identified staff*"). The following groups of identified staff are considered to exert a material impact on the risk profile of the Company and the investment funds managed by it:

- members of the board of the Company
- senior management, and control functions, consisting of risk management and internal supervision

Personnel engaged in administrative duties are considered not to exert any material impact on the risk profile of the Company or the investment funds managed by it.

In order to arrange the business in the most effective way and to protect and serve the best interest of the investors, the Company has delegated part of the risk management functions and investment management functions to Estlander & Partners Ltd, a MiFID regulated firm. Based on such delegation, staff belonging to the portfolio and risk management teams of Estlander & Partners Ltd are considered to have a material impact on the risk profiles of the investment funds managed by the Company. The Company has ensured that Estlander & Partners Ltd applies remuneration principles that are equally effective and sufficient as the ones set forth in this policy in respect of such risk takers.

4. Remuneration

This policy applies to all kinds of payments and benefits paid to the *identified staff* in exchange for professional services rendered by such staff. The general parts of it also apply to other personnel.

The Remuneration System encompasses a fixed remuneration, a variable remuneration and other taxable employee benefits applied by the Company from time to time. The starting point for the overall remuneration of each employee is that the remuneration shall be reasonable considering an overall assessment of the employee's experience, position, duties and level of

responsibility. The overall remuneration may, or may not, include a variable remuneration. The relation between the fixed remuneration and the variable remuneration is determined on an annual basis by the board of the Company.

Fixed remuneration includes remuneration and salary that are not dependent on the person's individual performance or on the Company's financial result. Variable remuneration in turn is dependent on the performance of the person who falls under the group *identified staff*, the Company's result and eventually other factors. The Company does not, as a rule, pay any guaranteed variable remuneration to an employee. Any deviation from this rule is determined on a case-by-case basis by the board provided that there are significant and justified reasons thereto.

The company though needs to guarantee that the fixed remuneration is sufficient to ensure that not paying any variable remuneration doesn't cause disproportionate harm to the employee. The Remuneration System is accordingly based on the outcome of personal targets and the profit of the Company. The goals are set and evaluated with risk and long term performance in mind, and are in line with the business strategy of the Company.

Identified staff falling under the group control functions, have their own specific targets which are based on the performance of their own tasks and are therefore not directly connected to the performance of the tasks they supervise.

Considering the discussed aspects, no variable remuneration is paid if the Company for some reason would show a poor or negative result. An exception to this rule make the persons responsible of the risk management and internal supervision of the Company. Their remuneration is based on the goals set for supervision and is therefore not dependent on the result of the business unit they supervise. The financial situation is assessed against the financial situation of the Estlander Group (hereinafter referred to as the "Group").

5. Risk Management

Any variable remuneration paid shall support, contribute to and guarantee a sound development of the Company. The main criterion for the risk assessment is the overall financial situation of the Company and the Group. This means that no variable remuneration is paid if the Company for some reason would show a negative result or if the financial situation of the Group requires this.

Further, after the assessment of the financial situation, provided that it allows variable remuneration, the payment of variable remuneration is subject to an assessment of individual performance of the employee in question. In addition, any other relevant risks and criteria may be taken into consideration in the assessment. The *identified staff* is expressly prohibited to use any kind of arrangements with the intention to circumvent or which would lead to circumvention of this policy.

- How possible conflicts of interest are identified, prevented, managed and monitored is set forth in the Company's policy on conflicts of interest.
- In order to strengthen the risk management, the aim is that the assessment of an employee's performance and the financial situation is made on a semi-annual basis.
- No judgmental measures are being used. The Company will ensure that specific and clear policies and procedures are implemented in case such measures would be used.

- The risk assessment process and payment award process are carried out by the senior management. The chairman of the board oversees the remuneration of the senior management.

The Company's Remuneration System is built with respect to development of the business and hence doesn't put the investments of the clients nor the business at stake by encouraging excessive risk taking.

6. Supervision and review

This policy has been designed and approved by the board of the Company ("the Board"). The Board has accepted the general principles in respect of *identified staff*. The Board also monitors that the remuneration system is followed and regularly evaluates the functionality of the system. The control functions of the company does on an annual basis determine whether the remuneration system has been complied with. The remuneration system and the implementation of it is thereof subject to an annual review. In addition, any material changes to this policy are approved by the board. As required in the CFA Chapter 4 b 30 f §, the members of the board that are a part of the active management of the Company do not take part in this process