



## **GRIT Governance**

### **Remuneration Policy**

**11 June 2021**

# GRIT

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<b>Review:</b>	<b>Annually or if deemed necessary</b>
<b>Approved by:</b>	<b>The Board of Directors of GRIT Governance Ltd, GRIT Fund Management Company Ltd and Estlander &amp; Partners Ltd</b>

**Amendments by versions:**

Version	Date	Edited by	Signed off by	Comments
1.0	11JUN2021	Compliance	Board of GRIT; Board of EP	Merged the remuneration policies for GRIT FMC and EP into one group policy.

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## 1. Introduction and purpose

This remuneration policy (hereinafter “Policy”) of GRIT Governance Ltd (hereinafter “GRIT”) applies to all employees of GRIT and to the employees of all other companies within the group bound by this Policy. Additionally, more specific principles may apply to such persons employed within the group that due to their professional actions have a material impact on the risk profile of GRIT, any of its subsidiaries or any funds managed by a company within the group (hereinafter “Identified Staff”, as more closely defined under section 3).

GRIT Governance Ltd is the parent company of the GRIT Governance group (hereinafter “the group”). The other companies in the group bound by this policy are:

- GRIT Fund Management Company Ltd (hereinafter “GRIT FMC”), a UCITS management company and AIF manager authorized by the Finnish Financial Supervisory Authority (“FiVa”), and
- Estlander & Partners Ltd (hereinafter “EP”), an investment firm authorized by FiVa

This Policy has been prepared with due care and prudence taking into consideration, as applicable, the following regulation:

- The AIFM directive (2011/61/EU) (“AIFMD”) and the Finnish Act on Alternative Investment Fund Managers (162/2014)
- The Investment firm directive (2019/2034/EU) (“IFD”), the Investment firm Regulation (2019/2033/EU) (“IFR”), and the MiFID II directive (2014/65/EU),
- The UCITS directive (2014/91/EU) (“UCITS V”) and the Finnish Act on Common Funds (213/2019)
- The Regulation on Sustainability-Related Disclosures in the Financial Services Sector (2019/2088/EU)

and thereto accompanying regulations and preparatory work as well as the guidelines regarding remuneration issued by FiVa and the European Securities Markets Authority (“ESMA”).

This policy is formed in compliance with all remuneration regulation regarding the group’s activities, on the one hand as a UCITS management company and AIF manager through GRIT FMC, and on the other hand as an investment firm through EP, as follows:

- GRIT FMC shall be compliant with the provisions on remuneration in the aforementioned AIFMD and UCITS V regulations
- Investment firms shall be compliant with the new remuneration framework in the IFD and IFR. However, small and non-interconnected investment firms according to the IFR need only to comply with the remuneration principles set out in the MiFID II. EP is a previously mentioned small and non-interconnected investment firm and is therefore only bound by the remuneration principles in the MiFID II.

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This Policy is established to promote sound and effective risk taking that is consistent with the following aspects of the group's activities:

- its risk profile,
- business strategy,
- goals,
- values,
- long-term interests,

and to not encourage excessive risk taking inconsistent with applicable regulation and the best interests of the funds managed within the group.

The business objective of the group is to:

- provide agile fund services and fund solutions to its co-operation partners;
- successfully manage UCITS funds and alternative investment funds in the best interest of the investors and in accordance with their set risk and investment policies, and
- provide efficient portfolio management services in the best interests of its clients.

## 2. Principle of proportionality

The aforementioned rules and regulations set out a certain number of principles as to how remuneration should be distributed, as further laid out in section 4. These rules and regulations have been taken into account in accordance with the principle of proportionality when determining the scope of application for the remuneration principles within the group, and especially considering:

- the size of the group
- the size and legal structure of the funds managed within the group
- the internal organization
- the nature, scale, and complexity of the group's business activities
- the tasks and responsibilities of each relevant member of the staff
- the IFR classification of EP

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

- all companies within the group are unlisted
- the group has a relatively small number of employees
- a core activity of the group is providing fund hotel services to its clients, which to some extent increases the complexity of its activities
- the number of Identified Staff that actually has an impact on the risks within the group and the funds managed by the group are limited
- the portfolio management for some of the funds managed within the group are delegated to a third-party portfolio manager

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- EP is classified as a small and non-interconnected investment firm (a class 3 investment firm in the IFR)

Considering the above, GRIT considers itself eligible to currently disapply the following remuneration principles in the relevant regulations:

- Retention period for remuneration in instruments
- Deferral of variable remuneration
- Variable remuneration in instruments
- Ex post incorporation of risk for variable remuneration

### 3. Identified staff

Additional remuneration principles may apply to groups of staff that due to their professional actions have a material impact on the risk profile of GRIT, any of its subsidiaries or any funds managed by a company within the group ("*Identified Staff*").

The following persons are considered as Identified Staff:

- The CEO of GRIT Governance Ltd
- the CEO of GRIT Fund Management Company Ltd
- the CEO of Estlander & Partners Ltd
- the portfolio managers for the investment funds where EP serves as portfolio manager
- staff within control functions, i.e., risk management and compliance

To arrange the business in the most effective way and to protect and serve the best interest of the investors, GRIT FMC does, as a rule, delegate portfolio management functions pertaining to the investment funds management to either third parties or group-internally to EP. Portfolio management may only be delegated to parties that are authorized and have relevant and appropriate experience to handle the outsourced tasks. Based on such delegation arrangements, staff belonging to the portfolio and risk management teams of such delegates are considered to have a material impact on the risk profiles of the investment funds managed by the group and are as such considered Identified Staff.

When delegating the portfolio management function, GRIT FMC shall ensure that the delegate is subject to regulatory remuneration requirements that are equally as effective as the requirements applicable to the group if it would provide the portfolio management themselves. In the case of group-internal delegation to EP, this is ensured through this policy. When delegating portfolio management to third parties, GRIT FMC has contractually ensured that the delegate applies sufficient and effective remuneration arrangements.

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## 4. Remuneration principles

The remuneration system applied by the group encompasses a fixed remuneration, a variable remuneration in the form of a bonus pool and other taxable employee benefits (mobile phone, lunch coupons, health benefits) provided by the group 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 remuneration of the CEOs, the Risk Manager of GRIT FMC and the Compliance Officer within the group are directly overseen and determined by the Board of Directors of GRIT (hereinafter "the Board").

The group may establish a remuneration committee tasked with preparing decisions regarding remuneration and to support the Board in their decisions on remuneration.

The relation between the fixed remuneration and the variable remuneration is determined on an annual basis by the Board. The following principles shall be taken into consideration in regard to fixed remuneration:

- The amount of fixed remuneration needs to be sufficiently high as to ensure that not paying any variable remuneration does not cause disproportionate harm to an employee.
- It includes remuneration and salary that are not dependent on the person's individual performance or on the group's financial result.
- The salary shall be competitive as to not encourage excessive risk-taking.
- The amount of the fixed remuneration should be assessed on a regular basis.

The overall remuneration may, or may not, include variable remuneration. The Board may create a bonus pool to be distributed amongst employees eligible for bonuses. The purpose of the bonus pool is to reward past good performance, incentivize future performance and ensure compliance with this Policy. Therefore, there should be a link between achieved performance and the amount of variable remuneration paid to each employee. The Board decides on the distribution and the amount of the bonuses taking into consideration, where applicable, the remuneration principles regarding variable remuneration outlined below.

In respect to variable remuneration, the following applies:

- The variable remuneration, if any, is based on the outcome of personal targets, the results of the group, and potential other factors as decided by the Board. The goals

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are set and evaluated with risk and long-term performance in mind and are in line with the business strategy of the group.

- The variable remuneration of persons engaged in control and supervisory functions depends on the achievement of their personal goals and performance and the achievement of the objectives linked to their functions and is therefore not directly dependent on the performance of the business areas they control.
- GRIT does not, as a rule, pay any guaranteed variable remuneration. Any deviation from this rule is determined on a case-by-case basis by the Board.
- Any variable remuneration paid shall support, contribute to and guarantee a sound development of the group. Thus, the payment of any variable remuneration needs to be sustainable according to the financial situation of the group and shall not affect the possibility to ensure a sound capital base within the group.

The group may utilize tied agents in connection with its investment services. These paid agents receive a fixed remuneration. They may also be entitled to variable, performance-based remuneration.

When determining the remuneration for tied agents, the group may take the tied agent's special status (usually as self-employed commercial agents) and the respective national specificities into consideration. However, in such cases, this Policy and the groups' remuneration practices defines appropriate criteria to be used to assess the performance of relevant persons. Such assessment shall be based on qualitative criteria encouraging the relevant persons to act in the best interest of the client.

## 5. Managing associated risks

In light of the activities carried out within the group, it needs to assess and manage the risks associated with this Policy. Hence, any variable remuneration paid shall support, contribute to and guarantee a sound development of the group. The main criterion for the risk assessment is the overall financial situation of the group. The amount of variable remuneration may vary significantly or not be paid at all depending on the business strategies, goals and long-term interests of the group set out by the Board.

Furthermore, after the assessment of the financial situation, the payment of variable remuneration is subject to an assessment of individual performance of the employee in question. Any future risks and risks currently known to the company as well as risks relating to the group's capital expenditure and necessary liquidity shall be taken into consideration in the assessment.

Employees of the group may not use financial instruments or insurance in order to hedge the risk related to the remuneration payment.

When assessing individual performance, the following is taken into account:

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- that possible conflicts of interest have been identified, prevented, managed and monitored in line with the group's internal policies and procedures;
- that the assessment of an employee's performance and the financial situation is, as far as possible, made on a semi-annual basis; and
- that the assessment is based on clear and pre-defined performance criteria or, if judgmental measures are eligible, that such judgment is based on and made in line with specific and clear policies and procedures implemented by the group.

The risk assessment process and payment award process are prepared by the remuneration committee and carried out by the CEOs after approval by the Board. However, the Board oversees the remuneration principles of the CEOs, the Risk Manager, and the Compliance Officers.

## 6. Sustainability risks

The group needs to assess in what manner sustainability risks are integrated into the group's activities and the likely impact these risks might have on the funds managed and investment services offered within the group. The group provides fund hotel and other fund services to fund sponsors, portfolio managers and other third parties as well as portfolio management services. The group have not implemented any general sustainability risk policies on a company level, but instead the consideration of sustainability risk policies is tailored on a fund specific basis to cater for the needs and strategies of the fund sponsor, portfolio manager or other third party. Consequently, the group has not implemented any consideration of sustainability risks in the remuneration of its staff, and any level or type of remuneration is not linked to the performance of any sustainability-related targets.

## 7. Decision-making, supervision and review

This Policy has been approved by the boards of all group companies bound by it.

The boards of GRIT FMC and EP monitor that the remuneration policy is complied with within the group and regularly evaluates the functionality of the Policy. The remuneration policy and the adherence thereof are subject to an annual review by GRIT's compliance function and reported to the Board for approval and adoption.

The Policy is available on GRIT's website.