



# Remuneration Policy for eQ Plc's Governing Bodies

in effect from 5 February 2020



## Contents

<b>Remuneration Policy for eQ Plc's Governing Bodies</b> .....	3
1. Introduction .....	3
2. Decision-making.....	4
3. Description of remuneration of the Board of Directors.....	5
4. Description of remuneration of the CEO .....	5
4.1 Remuneration components and proportional shares of overall remuneration .....	5
4.2 Grounds for determining any variable remuneration components .....	6
4.3 Other key terms applicable to the CEO's service contract.....	7
4.4 Terms for deferral and possible clawback of remuneration .....	7
5. Requirements for temporary deviation .....	8

## Remuneration Policy for eQ Plc's Governing Bodies

### 1. Introduction

This Remuneration Policy for eQ Plc's Governing Bodies has been drawn up in accordance with the Finnish Corporate Governance Code for listed companies that entered into force on 1 January 2020. The entire Finnish Corporate Governance Code 2020 is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi). eQ Plc's Board of Directors has reviewed this Remuneration Policy for eQ Plc's Governing Bodies on 5 February 2020. This Remuneration Policy for Governing Bodies will be discussed at eQ Plc's Annual General Meeting (AGM) on 25 March 2020, and it is available on the company's website at <https://www.eq.fi/fi/about-eq-group/hallinnointi> throughout its application.

Remuneration of eQ Plc's governing bodies is implemented in accordance with this Remuneration Policy presented to the General Meeting. During the preparation of this Remuneration Policy, attention has also been paid to the current salary and employment benefits of the CEO and other employees.

The key guiding principles for remuneration and the remuneration and commitment systems concerning all eQ employees are the competitiveness and fairness of the remuneration. Remuneration must support eQ Group's long-term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency. At eQ Group, the objective of the remuneration systems is also to encourage and reward personnel for their personal achievements and contribution to improving eQ Group's profitability, and for work in alignment with eQ Group's strategy. On the other hand, the objective of the remuneration systems is to support the recruitment of committed, competent and professionally competitive persons as well to sustain and develop their versatile expertise in alignment with eQ Group's strategy, objectives, values and long-term interests.

The remuneration systems shall support eQ Group's efficient, effective and comprehensive risk management, and remuneration must be especially designed to prevent unsound risk-taking. The remuneration system shall not encourage to such risk-taking that is contradictory to the rules of the group, to the rules or risk profile of the funds managed by it or to the interests of the clients. Comprehensive risk management is aimed at taking into account the goals and interests of group companies, the funds managed, and the investors, among other parties.

The company publishes an annual Remuneration Report for Governing Bodies that describes remuneration paid to members of the Board of Directors and the CEO of eQ Plc each year.

## 2. Decision-making

Decisions on remuneration of eQ Plc's Board members are made by the General Meeting. In principle, eQ Plc's major shareholders make a proposal on the number of directors, the members of the Board and their remuneration to the General Meeting.

The Remuneration Policy for eQ Plc's Governing Bodies is based on the strategy and long-term goals defined by the Board, and it is an important tool used for reaching the short-term and long-term strategic goals of eQ Group. The Remuneration Policy for eQ Plc's Governing Bodies is presented to the Annual General Meeting at least once every four years, and whenever material amendments have been made to it – no material changes can be made to the Remuneration Policy for Governing Bodies without presenting the amended Policy to the General Meeting. Permissible, non-material amendments include, e.g., technical changes to the decision-making process concerning remuneration or the terminology associated with remuneration. An amendment to legislation may be another reason to make non-material changes to the Remuneration Policy for Governing Bodies. The discussion at the General Meeting is an advisory process, and shareholders may not propose amendments to the Policy.

In accordance with its charter, eQ Plc's Board annually reviews the principles guiding the remuneration systems and this Policy and verifies annually, in a separately defined manner, that eQ Group has complied with the remuneration system. eQ Group has general remuneration principles concerning all employees that are applied to the CEO of the company and the Board members, as applicable. Possible changes to the goals and risk strategy of the business are taken into consideration when updating the principles for remuneration. At eQ Group, the remuneration systems must be consistent with the measures taken to avoid conflicts of interests.

The Board of Directors assesses remuneration at eQ Group as a whole. In principle, remuneration is discussed at two Board meetings by first evaluating remuneration, as a whole, for the current year at the meeting held at the end of the financial period, and thereafter by making decisions on remuneration and annual bonuses at the financial statements meeting held early the following year. The Board can discuss remuneration, on a case-specific basis, at other times also, if necessary.

Based on the principle of proportionality, eQ has taken the view that it is not necessary to appoint a separate remuneration committee, taking into consideration the number of directors and eQ's personnel as well as the nature of eQ Group's operations. eQ's Board decides on the remuneration of the CEO and any substitute CEO, benefits and other compensation payable to the CEO and any substitute CEO, and on the key terms related to the CEO's service, within the framework of this Remuneration Policy for

Governing Bodies. Decisions on incentives and annual bonuses based on the remuneration are also made by the Board of Directors, annually after the end of the incentive period.

Decisions on the issuance of shares, option rights or other special rights entitling to shares are made by the General Meeting or by the Board, with the authorisation of the General Meeting. Whenever shares, option rights or other special rights entitling to shares are issued to members of governing bodies as part of the commitment systems, this must be done within the framework of this Remuneration Policy for Governing Bodies.

When paying out variable remuneration, the company shall take into consideration at least the risks that it is aware of when making the assessment, and future risks, eQ Group's capital expenditure and necessary liquidity. The total amount of the remuneration to be paid out may not be so large that it would restrict the consolidation of eQ Group's capital base.

### 3. Description of remuneration of the Board of Directors

Remuneration of the Board of Directors can consist of one or several factors, such as annual remuneration and/or monthly remuneration, any attendance fees or other remuneration. Furthermore, accommodation and travel costs are reimbursed in accordance with the company's expense compensation practice. Pursuant to section 5 (*Requirements for temporary deviation*), in certain situations a Board member can be paid an increased fee or an attendance fee. Remuneration paid to Board members can be paid out in cash or, in full or in part, as shares. The General Meeting can also decide on other forms of remuneration and principles for determination of remuneration.

Decisions made by the General Meeting on remuneration of the Board members are published with a stock release, together with other decisions adopted by the General Meeting.

### 4. Description of remuneration of the CEO

These principles are also applied to remuneration of any possible substitute CEO.

#### 4.1 Remuneration components and proportional shares of overall remuneration

The Board of Directors appoints the CEO and decides on the CEO's salary, benefits and other terms related to the CEO's service within the framework of this Policy. eQ's Board of Directors decides annually on the Group's remuneration system that also covers the company's CEO, and determines the principles of the performance-based annual bonus system.

eQ Group's remuneration systems consist of a fixed salary in cash (monthly salary and fringe benefits) and an annual performance bonus linked to performance during an individual year (short-term incentive system). In determining the fixed salary, the company takes account of the CEO's professional competence (education background, scope of expertise, and work experience) and organisational responsibility, and the general level of remuneration in a similar position.

The CEO can be issued shares, option rights or other special rights entitling to shares as part of the CEO's long-term commitment scheme. In the issuance of shares, option rights or other special rights entitling to shares granted as part of the long-term commitment scheme, it must be ensured that the number of these is competitive from the recipient's perspective, in correct proportion to the commitment goal, and in alignment with this Policy and eQ Group's general remuneration principles.

In principle, the share of the variable remuneration may not exceed 100% of the CEO's total fixed remuneration. However, if a General Meeting of eQ Plc so expressly decides, the variable remuneration can amount to 200% of the total fixed remuneration. The Board of eQ Plc decides yearly on the maximum amount of the variable remuneration payable per person annually. The Board may decide that the annual bonus can be paid, in part or in full, in financial instruments; additionally, the annual bonus can be deferred in accordance with section 4.4 (*Terms for deferral and possible clawback of remuneration*).

The Board may also decide on other financial benefits paid to the CEO, such as (premium- or benefit-based) supplementary pension arrangements and other fringe benefits, and their amounts and terms. The Board may also decide on any principles associated with share ownership and compensation for termination payable to the CEO or on severance packages payable on the basis of the end of the CEO's service, and their amounts.

## 4.2 Grounds for determining any variable remuneration components

The Board of Directors decides on the CEO's incentive system and annually sets personal goals for the CEO. At eQ Group, the aim of the remuneration systems is to encourage the personnel and remunerate them for their personal performance and contribution to the improvement of the profitability of the eQ Group and for work in compliance with the strategy of the eQ Group. The Board evaluates the realisation of the goals set for the CEO and determines the annual bonus based on this. The amount payable as the annual bonus is determined on the basis of the achievement of the CEO's personal goals and the result of eQ Group's business segments (qualitative and quantitative indicators). In assessing the result, the long-term performance and risks of the eQ Group (incl. those of the funds managed by the Group) are taken into consideration.

The Board decides, based on authorisation received from the General Meeting, on the number and other terms of option rights or other special rights entitling to shares

issued. Option rights and other special rights entitling to shares can be issued if a weighty financial reason to issue them exists from the company's perspective, such as using option rights to encourage the CEO to work for increasing the shareholder value and improving eQ Group's financial situation, as well as to encourage the CEO to act in the interest of eQ Group in the long term.

For variable remuneration components, the Board can decide on the period for which the fulfilment of the set performance and result criteria are evaluated (earnings period). Similarly, when granting remuneration, the Board may require that benefits received for the earnings period are paid out or made available only after a certain pre-determined period of time has passed after the earnings period (restriction period).

As a rule, eQ Group does not undertake to pay any absolute remuneration. Payment of an absolute remuneration to the CEO is possible only for especially substantial reasons and it must be decided by the Board of eQ Plc. The absolute remuneration may only apply to the first year of the employment of the CEO.

#### **4.3 Other key terms applicable to the CEO's service contract**

The CEO's notice period, severance payments and provision on the prohibition of competition are agreed, in writing, in the CEO's service contract, and customary principles and amounts are applied to the CEOs' notice period. Payments relating to premature termination of a contract shall be based on long-term results and shall not lead to rewarding of failed performance.

eQ Plc's Board of Directors can decide on other terms of the CEO's service, such as rights to supplementary pension, the duration of the contract, principles on share ownership, or amendments to current contracts.

In accordance with eQ Group's principles on remuneration, the CEO may not use financial instruments or insurance in order to hedge the risk related to the remuneration payment.

#### **4.4 Terms for deferral and possible clawback of remuneration**

If the variable remuneration of the CEO exceeds EUR 50,000 at annual level, at least 50 percent of the variable remuneration will be deferred to be paid during the following three (3) years (even payments each year). 50 percent of the deferred remuneration is linked to the development of eQ Plc's share price during the deferral period. eQ Plc's Board shall annually decide on the interest possibly payable to the remaining part of the deferred remuneration. If the variable remuneration does not exceed EUR 50,000 at annual level, payment shall not be deferred.

In eQ's share-based remuneration, a commitment period of primarily three (3) years can be applied to share-based instruments by a decision of the Board. Detailed terms are specified in the terms and conditions of option schemes or other possible share-

based systems. The Board of Directors can also decide on any lock-up periods concerning shares granted as part of the CEO's remuneration.

eQ's Board of Directors may decide that variable remuneration is not paid out, remuneration is reduced and/or it may be recovered as unfounded, partly or in full, if it is found that the CEO has acted contrary to eQ's internal guidelines or contrary to laws, regulations or guidelines issued by authorities. eQ may also refrain from paying out remuneration, if eQ Group's solvency, capital expenses, liquidity or the foreseeable future development do not make it possible (e.g. based on a risk assessment process), or if the CEO's service with eQ Group ceases before the payment of the annual bonus, issuance of a fringe benefit, or the beginning of the subscription period of shares or share-based rights issued as remuneration. The Board may also obligate the CEO to sell to the company any option rights or other share-based rights issued as part of the CEO's remuneration on the grounds mentioned above.

In addition, the company shall have the right, if necessary, to decrease the CEO's compensation amount by using risk based reduction and recovery arrangements in accordance with the rules governing compensation of investment service providers, by which the company can reduce the value of the variable remuneration, partly or in full, before the expiry of the deferral period and the commencement of the subscription period of option rights or other special rights entitling to shares. Similar terms and conditions on deferral and possible clawback of remuneration can be included in contracts concerning the CEO's remuneration.

## 5. Requirements for temporary deviation

In certain specific circumstances, temporary deviation can be made to the above principles concerning remuneration of eQ Plc's Board of Directors or the CEO in this Remuneration Policy for eQ Plc's Governing Bodies. Such specific circumstances include, for instance, a change of the CEO, corporate arrangements such as mergers and acquisitions, or material changes to the company's strategy, where the valid Remuneration Policy for eQ Plc's Governing Bodies would no longer be appropriate in these changed circumstances. The Remuneration Policy for Governing Bodies can also include deviations due to changes in regulations (incl. taxation).

Any deviation from the remuneration policy always requires a decision or confirmation by the Board of Directors. It is further required that the deviation takes place to ensure eQ's long-term interests.

If a deviation to the Remuneration Policy is estimated to continue on a non-temporary basis, the company will draw up a new Remuneration Policy for Governing Bodies that is discussed at the next possible Annual General Meeting. A temporary deviation is described in the annual Remuneration Report for Governing Bodies that is discussed at eQ Plc's next Annual General Meeting.