



Remuneration Policy for SEB Fund Services S.A.

Adopted by the Board of Directors of SEB Fund Services S.A.
on 3 June 2014

Reviewed and re-adopted by the Board of Directors
of SEB Fund Services S.A on 4 July 2016

This instruction applies to SEB Fund Services S.A.

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Responsible		Human Resources
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1. Introduction

SEB Fund Services S.A. (“SEB FS”)’s vision is to be the trusted partner for customers with aspirations. To drive and support the achievement of this vision, it is of vital importance that the Fund Management Company is able to attract, retain, develop and reward the right talents. The Remuneration Policy (the “Policy”) of SEB FS provides a framework for rewarding sustainable long-term value creation in line with the fund investors’ interest. The Policy shall secure that remuneration is in line with the business strategy, objectives, values and long-term interest of the fund investors and the SEB FS and that it incorporates measures to avoid conflict of interests.

Remuneration structures and systems shall be consistent with and promote sound and effective risk management and not encourage risk-taking that exceeds the level of tolerated risk in the SEB FS.

The Policy shall also secure the governance and implementation regulations and requirements, of which the two most important are AIFMD and UCITS, including:

- The European Commission’s Recommendations on remuneration policies in the financial service sector,
- AIFMD and UCITS including ESMA’s Guidelines on sound remuneration policies

This Remuneration Policy is based upon the principles decided in the Remuneration Policy for the SEB Group which shall also be seen as a complement and guidance to this Policy in any topics not specifically mentioned in this Policy.

2. Performance culture

SEB FS believes in and promotes a sound and dynamic performance culture as a means for achieving long-term success and encourage performance and the right behaviours.

SEB Group’s Core Values, which also are prevailing in the Fund Management Company, serve as a compass both internally and when interacting with customers and society. They form a natural part of the organization and provide guidance in all situations. The SEB Core Values are;

- Customer First
- Commitment
- Simplicity
- Collaboration

A cornerstone in the performance culture is the performance management process with transparent and aligned target setting, evaluation and rewards.



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A sound and strong performance culture relies upon the commitment and competence of its leaders. In SEB FS, all leaders are responsible for managing their talent pool in the best way, retaining, attracting and developing talents. In combination with strong leadership and clear performance expectations, remuneration is a valuable tool for achieving this.

3. Pay for performance

Pay for performance through market competitive and differentiated remuneration is an important means for long-term success in a performance culture.

Remuneration shall be competitive, taking business logic, market practice and the competence and long-term performance of the employee into consideration.

Individual performance shall be evaluated according to financial and non-financial measures within the SEB FS's target areas Customer Relation & Growth, Efficiency (Operational Risk & Capital Management), Culture & People Performance and Financial Performance. Individual behaviour shall be evaluated with the SEB Core Values as a starting point.

Excellent business performance shall be established by combining individual performance and balanced risk taking. Remuneration shall be built to encourage both immediate results as well as long-term strategic decisions needed to ensure a sustainable business performance over time. It shall reflect sound risk management by taking into account both the adherence to investment restrictions within each fund as well as the cost of capital employed and liquidity required for SEB FS. Total remuneration paid for a specific period shall not jeopardize the ability for SEB FS to account for a positive result on an aggregated level during a business cycle.

SEB FS regularly evaluates the competitiveness of the remuneration through external benchmarks, conducted with regard to total remuneration, including pension benefits.

4. Remuneration structure

SEB FS has designed a remuneration structure based upon three major components:

1. Base pay (including position allowance)
2. Variable remuneration
3. Pensions and other benefits

Furthermore, SEB FS accepts and encourages that some of its employees are part of Skandinaviska Enskilda Banken AB:s (publ) long-term equity based compensation program ("LTI").

This long-term equity based compensation shall be included when calculating the total remuneration for an individual employee. The components are used to achieve a market competitive total remuneration with a sound balance between i) fixed and variable



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remuneration and ii) short- and long-term remuneration. The total remuneration shall reflect the complexity, responsibility and leadership skills required in the position as well as the performance of the employee.

In SEB FS, there is a clear distinction between the criteria for setting fixed remuneration (e.g. base pay, pension and other benefits) and variable remuneration (e.g. short- and long-term variable remuneration).

Fixed remuneration is primarily awarded to reflect relevant professional experience and organisational responsibility as set out in the employee's job description and/or employment agreement. The fixed remuneration shall represent a sufficiently high portion to allow the operation of fully flexible variable remuneration models, including the possibility to fully cancel the variable remuneration outcome.

Variable remuneration shall mainly reflect an employee's sustained and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description. Variable remuneration shall also reflect the employee's position and the responsibility and requirements linked to the position.

4.1 Base pay

The purpose of base pay is to provide a competitive level of fixed remuneration, founding a base in the market oriented total remuneration needed to attract talented employees. The overall market level shall be adapted to reflect geographical location and type of business. The individual base pay shall be linked to the requirements on the position as well as the sustainable performance and behaviour of the employee holding the position.

4.2. Position allowance

Position allowance is an integrated part of the total remuneration offered as a supplement to base pay in situations where there is a need for some flexibility of the remuneration structure. SEB FS utilises different kind of allowances for various purposes. Normally, it is linked to the fact that there is a time limitation of the position and/or the project performed by the employee, i.e. the employee is in an acting role, assigned a special project or is sent on a temporary foreign assignment.

Allowances are typically considered as fix remuneration and are not performance based. Allotment of allowance shall be linked to a certain position, project or assignment and be limited to the task performed. As such an allowance is only specifically time limited if the assignment is time limited, otherwise it is fixed to the period during which the employee is in the agreed position.

Allotment of allowance shall be predetermined, transparent and shall be awarded in a way that it does not incentives risk taking.

Allowances may differ from the base pay in terms of basis for other benefits such as pension entitlement, vacation allowance and redundancy pay and is typically not part of the annual



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salary review. The maximum level of allowance in relation to base pay may normally not exceed 50 per cent.

4.3 Variable remuneration

Variable pay is a means to drive and reward performance and behaviours to create short- and long-term value to the fund investors and the Fund Management Company, it is also an essential way of adapting a flexible remuneration cost.

The variable remuneration models are adapted to applicable regulations in terms of maximum ratio in relation to fixed remuneration and with regards to deferral and malus provisions, i.e. reclaim of deferred not yet paid out variable remuneration.

The Fund Management Company continuously follows up and secures that the variable remuneration models do not put the employees in conflict of interest with its customers, promote appropriate code of conduct behaviour and do not incentivise excessive risk taking.

The Board of Directors shall examine whether incentives provided by the remuneration systems appropriately take into consideration the interests of the fund investors and the Fund Management Company and do not drive an excessive risk taking. The Fund Management Company's control functions shall support this examination."

The Fund Management Company shall provide a sound balance between fixed and variable remuneration and align the payout horizon of variable pay with the risk horizon. This implies that certain maximum levels and deferral arrangements apply for different categories of employees.

Employees in positions not directly involved in investment activities are covered under the collective All Employee Programme with a pre-denominated fixed maximum amount. The outcome is based on SEB Group performance and is paid out 50 per cent in cash with 50 per cent in cash deferred for three years.

STI models in the Fund Management Company shall be based on multi-year performance and behaviours of the individual as well as the team/business unit and SEB Group as a whole.

Whereas the performance on team/business unit and SEB Group as a whole serve as a limitation to the total payout of variable pay, the performance in funds and discretionary mandates is the basis for accruing the individual variable pay. The performance is measured on both one and three years. Furthermore, the individual evaluation is also based on a discretionary evaluation with the following parameters;

- Investment process
 - Quality
 - Use of risk budget
- Mindset & Behaviours in PDD, especially:
 - Cooperation



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- Sales support
- Innovation
- Total compensation
- Accrued performance fees.

For a small number of key employees, running funds and discretionary mandates with a performance fee, a fee split model on variable pay calculation applies.

Employees in categories referred to as “Identified/Code staff”, with an annual variable pay of SEK 100,000 or more will be subject to a deferral of 40 or 60 per cent of the variable pay for three or five years. For Identified staff, the maximum level of variable remuneration may not exceed 100 per cent of the fixed remuneration.

Further details on the definition of the remuneration structure for fee split models and the deferral structure are set out in Appendix 1. A detailed definition of “Identified/Code staff” are set out in Appendix 2. Exceptions from the levels set are subject to approval of the Board of Directors.

Since the assets under management in alternative investment funds within SEB FS is less than 50 per cent of the total assets under management, the variable compensation – deferred and non-deferred - will not be invested to mirror the development of the funds managed by the individual portfolio manager.

The cash based deferral will be paid out pro-rata during the deferral period, starting at the earliest one year after the variable pay is set. SEB FS shall have the possibility to withhold part of, or the whole, deferred payment based on risk adjustment and long-term performance. Any breaches of an individual risk target may affect the deferral based on a discretionary view of the circumstances behind the breach. The payment of deferred variable pay may be conditioned by employment with SEB FS or with a company in the SEB Group at the time of payment.

Employees are not allowed to use such personal risk hedging strategies or insurances that are aimed at mitigating or eliminating the effects of an adjustment or cancellation of a deferred payment. Guaranteed variable pay shall be used restrictively. It may only be offered to new employees and shall be paid during the first year of employment.

The design of the short-term cash based compensation shall not create any substantial conflicts of interest.

SEB Group has both all-employee and individual performance linked long-term equity based programmes as part of remuneration to build long-term commitment to SEB among the participants.

The purpose of the All Employee Programme is to promote all employees to increase their interest in the long-term development and value creation of SEB.

SEB Group also offers special long-term equity based programmes to selected key employees with allotment based on individual performance. The purpose of the



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programmes is to reward senior managers and other key employees and stimulate them to become shareholders and thereby aligning their interests and perspectives with those of the shareholders. All long-term equity based compensation is based on own investment or a shareholding requirement.

4.4 Pensions and other benefits

Pension and other benefits in SEB FS are means to be perceived as an attractive employer and secure long-term commitment amongst the employees.

All pension plans within SEB FS shall be in line with the Pension Policy and Instruction of the SEB Group.

4.5 Grandfather principle

In SEB FS, the grandfather principle is applied on all remuneration and employment decisions, which means that all decisions are to be approved at least by the concerned employee's manager's manager.

5. Principles for remuneration for the Conducting Officers SEB FS.

The remuneration structure applicable to the Conducting Officers shall mirror the remuneration structure described in previous sections .

The Board of Directors shall set the remuneration to the Conducting Officers.

6. Governance

6.1 Ownership

The Board of Directors is responsible for monitoring and following up on the development of adopted remuneration and compensation programmes and pension schemes as well as remuneration practice within SEB FS, for reviewing this Policy at least yearly and for deciding upon amendments to this policy. Further, the Board of Directors is responsible for reviewing material remuneration issues which the Board of Directors shall decide upon.

6.2 Implementation

The Human Resources function is responsible for co-ordinating the work on remuneration issues within SEB FS, initiating the annual review of this Policy, ensuring its implementation and for reporting such work to the the Board of Directors at least once a year.

The Human Resources function shall consult with SEB FS's Risk Manager in reviewing this Policy as well as on principle remuneration issues.



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6.3 Execution

The Conducting Officers and the other members of the management team are responsible for ensuring that activities carried out and instructions adopted to implement this Policy are in accordance with the Policy.

6.4 Control

A review of the adherence of remuneration in the Fund Management Company to this Policy shall be conducted yearly. The review shall be conducted by an internal control function or by an independent accounting firm, as decided by the Chairman of the Board. A report on the review shall be presented to the Board of Directors.

Officers within the internal audit, risk control and compliance functions, as well as within other control functions shall be compensated in a manner that is independent of the business area that they oversee, commensurate with their key role in the organisation and based on objectives linked to their functions.

In both SEB Group and SEB FS, employees within the control functions are not eligible for any other variable pay than the All Employee Programme.

Final determinations of remuneration for employees within control functions shall not be made in the business units.

- The Board of Directors shall set the remuneration to employees in control function who are employed SEB FS., after proposal from the Remuneration Committee.
- For employees in control functions outsourced by SEB FS, all remuneration decisions will be decided upon outside of SEB FS in a manner that is independent of the business units that they oversee.



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Appendix 1

Maximum variable pay levels, deferral structure and criteria for risk adjustment of variable pay for certain categories of employees

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Appendix 2

Definition of staff whose professional activities have a material impact on SEB Group's risk profile (Identified staff)

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Appendix 3

Performance Assessment, including quantitative and qualitative criteria for the award process for variable remuneration

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Appendix 4

Pension Plans and other Benefits

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