

# Remuneration Policy

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# Taaleri Energia Remuneration Policy

## Introduction

Remuneration at Taaleri Energia is designed to support the company's business strategy. The company follows the following key principles in remuneration of personnel, which support the implementation of the business strategy:

- The level of remuneration is competitive
- The remuneration attracts and engages professionals
- The principles applied are fair, equitable and easy to understand
- Remuneration encourages and guides towards achieving strategic business goals
- The remuneration supports the common interests of shareholders, investors, and employees

This document sets out the basic principles of remuneration at Taaleri Energia. These principles are further detailed on a practical level in the Remuneration System. These principles are applicable on the Taaleri Energia Group companies, consisting of Taaleri Energia Ltd, Taaleri Energia Funds Management Ltd (hereafter also "TEFM") and Taaleri Energia Operations Ltd and all employees of any of the aforementioned companies (collectively referred to as "Taaleri Energia"). The Boards of Directors of each of the Taaleri Energia Group companies (hereafter collectively the "Boards of Directors" or the "Boards") have approved these principles.

This policy and the underlying Remuneration System is fully applicable on the remuneration of external advisors providing services within the scope of management services for the AIFs managed by TEFM.

## Regulatory Framework

Taaleri Energia Funds Management Ltd is a regulated alternative investment fund manager (AIFM), holding a license granted by the Financial Supervisory Authority of Finland to manage alternative investment funds. The funds management business is the core of Taaleri Energia Group and other activities of the group are designed to support this activity. Consequently, these remuneration principles of Taaleri Energia are based on sound remuneration guidelines for regulated AIFMs.

This remuneration policy is also part of Taaleri Energia's risk management system. It is designed to ensure consistent compliance with the requirements of the AIFM Directive regarding remuneration policies and practices, as well as with the requirements and procedures regarding conflicts of interest. The Act on Alternative Fund Managers, the Ministry of Finance Decree 229/2014 on Alternative Fund Managers' Remuneration Schemes, the ESMA Guidelines on Good Remuneration Policy under the AIFM Directive and the guidelines and regulations of the Financial Supervisory Authority of Finland have been considered while drafting these guidelines.

## Decision-Making Bodies

The Taaleri Energia Group has established a Remuneration Committee to assist, coordinate and prepare for decision making of the individual Boards of the Taaleri Energia Group companies all matters related to remuneration. The Remuneration Committee further supports the executive management of the companies by reviewing and making recommendations in respect of the remuneration policies and framework for all employees.

The Remuneration Committee is a joint committee of the three Boards from which it derives its authority and to which it reports. The Taaleri Energia Remuneration Committee's role is to make recommendations on the remuneration of the employees. The Remuneration Committee members are selected among the board members of TEFM. No member of the committee may be employed by any Taaleri Energia Group company.

The Boards of Directors are ultimately responsible for all decisions related to remuneration. The Boards shall, among other things,

- i) periodically review and update this policy;
- ii) monitor the application of this policy and ensure that the application is appropriate;
- iii) decide annually on any bonuses payable to the staff, taking into consideration the financial results of the Taaleri Energia Group;
- iv) define those persons whose professional activities have a material effect on the company's risk position (TEFM only).

## Remuneration System

The Remuneration Committee prepares, and the Boards approve a Remuneration System detailing the processes and tasks related to remuneration. Appended to the Remuneration System shall be the KPI and Bonus System, which is annually updated by the Remuneration Committee and approved by the Boards.

Taaleri Energia's Remuneration System and all remuneration practices based on it shall be

- i) in line with the business strategy, long-term goals and values of each Taaleri Energia Group company, as well as the Taaleri Group;
- ii) consistent with the AIFs' business strategy, and their investors' objectives and interests, and structured in such a way that conflicts of interest can be avoided;
- iii) gender-neutral and promote the principle of non-discrimination and gender equality; and
- iv) designed to promote sustainability, including having sustainability related targets approved in the annual KPIs of the Group Companies.

Before submitting the Remuneration System for approval, the Remuneration Committee consults, to the extent useful or necessary, with the compliance function, the risk management function, and the head of human resources. The Remuneration System shall contain the necessary elements to ensure that remuneration and the processes surrounding the remuneration of personnel in different positions is compliant with this policy.

## **Fixed and Variable Remuneration**

The total remuneration at Taaleri Energia consists of a basic salary (fixed remuneration) and a bonus (variable remuneration).

An employee's basic salary is based upon individual expertise, internal and external parity, the relevant business sector and region, and the level of responsibility the position of the employee has in supporting the success of Taaleri Energia Group. The fixed part of the remuneration shall always be sufficiently high to remunerate the professional services rendered. As part of fixed remuneration, Taaleri Energia employees may also take part of benefits granted to all Taaleri Plc employees.

Employees may be paid a bonus based on the employee's performance and / or the performance of a business unit and / or the performance of Taaleri Energia Group. Individual quantitative and qualitative metrics are agreed with each employee considering their seniority of the role, the ability to have genuine influence on the outcome of the metric as well as the agreed use of time for the coming performance year. Quantitative metrics may also be linked to the performance of the employee's team.

The balance between fixed and variable remuneration shall always be dependent on the employee's position, appropriately aligning interest with the risk factors at hand. To ensure this balance, the variable remuneration shall not exceed the fixed remuneration. Exceptions to this rule may only be approved separately and under exceptional circumstances. Special care shall be taken that the remuneration for persons in a position of risk management or supervisory function is not directly linked to the result of the activities they oversee.

All Taaleri Energia employees have the opportunity to be awarded variable remuneration. Awarding variable remuneration is based on an overall assessment that reflects the personal performance of the reward recipient that exceeds his or her normal performance. The entire or partial amount of variable remuneration can be withdrawn if the employee behaves contrary to Taaleri's values or if the personal performance is clearly below the target levels.

Payment of variable remuneration is further dependent on the profitability of the business of the Taaleri Energia Group. Each Taaleri Energia Group company must ensure that its financial situation will not be adversely affected by the overall pool of variable remuneration that will be paid in that year. Subsequently, bonuses will not be paid or the amount of bonuses will be reduced if it is required to secure the financial solidity of the Taaleri Energia Group.

If an employee's behaviour is unethical, contrary to or not in compliance with Taaleri's values (e.g. behaviours contradictory to Taaleri Code of Conduct<sup>3</sup>) or Taaleri group or Taaleri Energia Group ESG policies as well as with corporate responsibility principles or sustainability risks, the entire or partial bonus amount can be withdrawn. Illustrative examples of violations that would trigger such an event include but are not limited to substance abuse, sexual harassment, and failure to follow compliance of anti-money laundering procedures.

The staff may additionally be offered a voluntary, long term incentive scheme linked to the shares of Taaleri Plc.

Taaleri Energia employees are not offered any other remuneration than the forms of remuneration mentioned in this policy.

## **Managing Conflicts of Interest**

Taaleri Energia will consider the key elements of conflict of interest when setting up new AIFs. None of the AIFs managed by Taaleri Energia contain, nor will they contain, a system whereby variable remuneration is paid at the risk of the investors of the AIFs. Taaleri Energia will e.g. not set up any fund that pays out carried interest to the manager prior to the investors having been paid back their capital in full, along with a profit exceeding the agreed hurdle rate. Variable remuneration at Taaleri Energia is instead paid out based on secured profit, such as management fees earned. The AIFMD payment process rules as specified in the ESMA Guidelines Section XII.IV, including deferral, payments in the form of instruments and retention, as well as performance adjustment rules are not proportionate, necessary, or useful means of risk management in the context of remuneration at Taaleri Energia. Taaleri Energia Group will not implement payment process rules as part of its Remuneration System.

Managing conflicts of interest is a key element considered in the Remuneration System and its underlying processes. The fixed and variable components of the remuneration must always be balanced so that the remuneration structure does not favor the interests of the company or its relevant persons to the detriment of the interests of the investors.

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<sup>1</sup> <https://www.taaleri.com/en/corporate-responsibility/governance/code-of-conduct>