

# REMUNERATION POLICY

LAST UPDATE: APRIL 2025

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## 1. PURPOSE

The remuneration policy is in place to ensure orderly and efficient management and control of Kuylenstierna & Skog S.A. and Kuylenstierna & Skog S.A. Branch (hereafter “**K&S**”) to ensure the common, uniform and consistent application of the MiFID II remuneration requirements set out in Article 27 of the MiFID II Delegated Regulation as well as the conflicts of interest requirements set out in Articles 16(3) and 23 of MiFID II and Article 34 of the MiFID II Delegated Regulation, the conduct of business rules set out in Article 24(1) and (10) of MiFID II and the application of the governance requirements in remuneration under Article 9(3) of MiFID II and the law of 30 May 2018 on markets in financial instruments.

## 2. SCOPE

These requirements are set to strengthen investor protection.

The remuneration policy includes the provisions of both the European Union’s as well as the Grand-Duchy of Luxembourg’s regulatory requirements relating to remuneration and corporate governance.

Notably, the CSSF **Circular 10/437** and the **Circular 25/884** with clarification of the remuneration requirements under EU Directive 2019/2034 and in accordance with Article 12(1) of Regulation (EU) 2019/2033 as an SNI IFR Investment Firm.

The remuneration policy applies to remuneration of any type of remuneration paid to all employees of K&S.

[www.cssf.lu/wp-content/uploads/cssf10\\_437eng.pdf](http://www.cssf.lu/wp-content/uploads/cssf10_437eng.pdf)

## 3. PROPORTIONALITY PRINCIPLES

K&S is a small company with less than fifteen employees, including the four shareholders of the company. K&S provides investment management services to its clients and does seek to have a significant influence on the market.

K&S avoids creating an incentive for individuals to take any inappropriate risk and in general all decisions are confirmed by the Authorized Management.

As per Article 27(4) of the MiFID II Delegated Regulation, K&S considers qualitative criteria that encourages all relevant people from the company to act in the best interests of the client. The level of fixed remuneration is on a sufficient portion of total compensation to ensure that employees are not dependent on variable compensation.

The business strategy of K&S is focused on clients who are looking for long-term relationship. K&S aims to keep a stable customer base, to grow and attract new clients by the Company’s good reputation.

The long-term objectives of the Company, and its clients, are to achieve absolute returns throughout the lifetime of both parties. There are no volume or income targets to the Company. The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company and its clients.

To take a proportionate approach given the size and the non-complex nature of both the activities undertaken and the organization, K&S has decided that its Board of Directors oversees the remuneration policy as per Article 9 of the MiFID II.

It is not proportionate for a separate Remuneration Committee to be established.

This policy is approved by the Board of Directors which includes following persons:

- Anders Lindbergh
- Amelie Kuylenstierna
- Johan Kuylenstierna
- Elisabeth Skog

The Board of Directors delegates the day-to-day management of the Company to the Authorized Management. The Authorized Management of the Company is recognized and authorized by the CSSF under the terms of Article 19(2) of the law of 5 April 1993, as amended, on the financial sector.

Due to the size of the company, all internal control functions are undertaken by the four Authorized Managers.

The internal governance arrangements and segregation of duties are in line with the Circular 20/758 (as amended), bearing in mind the principle of proportionality. As the control function i.e., the Authorized Management is also responsible for operations, trading, marketing, compliance and risk, there could be a potential conflict of interest risk.

The Authorized Management remains subject to their MIFID II conflict of interests, conduct of business obligations, and as provided by Article 22(4) of the MIFID II Delegated Regulation for the compliance function).

## **4. BENEFICIARIES**

### **4.1. BOARD OF DIRECTORS**

The Board of Directors receives no remuneration for their contributions.

### **4.2. SHAREHOLDERS**

The shareholders may receive dividends if the Company's annual result is profitable.

The shareholders agreement dd December 13th, 2021, states that "the shareholders agree to distribute all dividends which may legally be distributed by the company unless investments are considered such as the opening of a subsidiary which requires high financial resources in which case adequate amounts shall be retained in the Company. Distributions shall be made to the Shareholders in proportion to the number of Shares they hold in the Company." In the context, the Shareholders may also inject further capital in the Company should it be required in a situation of insufficient liquidity or capital".

### **4.3. IDENTIFIED STAFF**

K&S remuneration considers the Authorized Management and the Company's shareholders as "**Identified Staff**". Our remuneration policy for identified staff complies with the requirements under Article 30 of the IFD.

Non-executive members of the Board of Directors do not receive any remuneration.

Remuneration of the identified Staff is directly overseen and approved by the Board of Directors.

#### **4.4. STAFF**

Remuneration of Staff is determined and managed by the members from the Authorized Management under the supervision of the Board.

### **5. REMUNERATION**

#### **5.1 FIXED REMUNERATION**

The fixed remuneration, i.e., salary and fringe benefits, is agreed at the point of hiring the individual and is set in line with the market at a level to retain, and when necessary, attract skilled staff.

The base salary is adequate to guarantee reasonable standards of living in Luxembourg or Stockholm for the personnel without obliging them to rely on any variable remuneration.

Salaries are reviewed at least annually but generally it remains the same unless there has been a promotion or a large change of duties.

The remuneration is gender neutral as under Article 26 of the IFD.

Salaries in Luxembourg and Stockholm follow the Luxembourg Indexation system. The annual fixed remuneration in Luxembourg is paid monthly in thirteen equal instalments at the end of each calendar month, after deduction of all duties, taxes, and social security contributions as required by the law.

In Sweden it is paid with the same conditions, but monthly in twelve equal instalments.

The base salary is a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable components, including the possibility to pay no variable remuneration component as per the second sub-paragraph of Article 27(4) of the MIFID II Delegated Regulation.

#### **5.2. PENSION SCHEME**

K&S staff are eligible to a supplementary pension scheme representing 5% of the gross annual salary, not including any other incentives, bonuses, or bonus percentages of profits. Any change in salary that takes place during the year will not be considered until the first day of January the following year. The supplementary pension scheme commences after successful completion of the probation period.

In the years of commencement of employment, the employee's gross salary of reference will be calculated based on their first monthly salary as paid by the business.

#### **5.3. BENEFITS**

Other components of the remuneration packages may include cheque repas, mobile phone, iPad, company leasing car and health controls.

#### **5.4. VARIABLE REMUNERATION**

K&S does not award, pay or provide any guaranteed variable remuneration or incentive schemes, this also to comply with the ESMA guidelines of the MIFID II remuneration requirements.

Discretionary variable remuneration can comprise of an award through an Interest Subsidy and/or the Bonus Scheme. The employee may choose for all or a proportion of the Bonus to be paid into the Company supplementary pension scheme with Le Foyer, or for it to be paid out as a “profit-share-bonus” in accordance with the legal provisions thereof.

K&S management has considered the guidelines of circular 10/437 for the implementation of variable remuneration even if certain guidelines are not applicable. The following points were considered:

- **section 2.6** referring to the deferred element of the bonus, consideration on the outstanding risks associated with the performance to which the bonus relates to.
- **section 2.7** referring to the early termination of a contract, payments which are awarded on a contractual basis, shall be related to performance achieved.
- **section 2.8** referring to the BoD of K&S to be able to require staff members the repayment of all or part of the bonuses that have been awarded.
- **section 2.10** relating to performance measurement to be a combination of individual performance and of the business unit concerned.
- **section 2.11** the alignment of the personal objectives of staff members with the long-term interests of K&S.
- **section 2.23** staff members engaged in control processes shall be independent from the business and be compensated in accordance with the achievement of the objectives linked to their functions.
- the sections relating to disclosure, and in particular **section 3.2.e)** the main parameters and rationale for any annual bonus scheme and any other non-cash benefits.

Variable compensation systems shall be designed to create financial stability and value for K&S. The variable compensation is an important tool to reward the employee an incentive and to ensure that remuneration packages offered to employees are in line with conditions on the market and to make it possible to differentiate compensation between employees based on performance.

Any variable remuneration is designed to both reflect the performance of a person in contributing to the success of the Company and their success in meeting, or exceeding activities and targets that have been set by the Company on an individual basis. The variable remuneration is also designed to reflect the function and role of the individual and his or her seniority within the Company. This is referred to as the quantitative criteria and is further described below:

- Individual performance: meeting individual objectives, performing agreed activities, respect of the Company’s code of conduct and values, customer oriented and friendly, ...
- Functions: front office, back office, material risk taker, ...
- Seniority: previous working experience and length within K&S
- Relevant qualifications and education

The assessment of the performance is set in a multi-year framework appropriate to the Company to ensure that the assessment process is based on longer term performance and the actual payment of performance-based components of remuneration is spread over a period which considers potential business losses and the investment risk of the underlying client’s portfolios.

Where the variable remuneration is granted, then in addition to the performance of the individual, the Company will also consider the performance of the Company’s overall result.

The Company’s performance assessment will not relate solely to financial criteria and its market reputation but will also include compliance with regulatory obligations and adherence to effective risk management. The Company ensures that variable remuneration is only paid to employees after the Company has satisfied its internal capital and liquidity.

Awards will reflect the Company's financial performance and, as such, variable remuneration may be reduced where subdued or negative financial performance occurs.

The Company shall ensure there are sufficient profits to allocate funds to the Net Wealth Tax Reserve prior to making any variable remuneration allocations.

The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes the integration of all relevant types of current and future risks. K&S always ensures that its financial situation shall not be affected by the overall pool of variable remuneration.

Bonuses and warrants are approved by the Board of Directors and subsequently delivered to the eligible employees on the payday after such approval. The Board of Directors also retains the right to withhold, or postpone, any approved bonus payments. Should any employee receive a variable compensation exceeding 50% of the annual fixed salary and the variable compensation exceeding EUR 50'000 at least 40% of the variable compensation shall be deferred for three years. The right to deferred compensation is not waived if employment at K&S ceases. However, if an employee resigns or is dismissed due to negligence of duties, any deferred variable compensation related to the negligence of duties shall not be paid.

## **5.5. HEDGING STRATEGIES**

The employee of K&S may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

## **5.6. DISCLOSURE**

As per circular 10/497 (section (g)(v)(vi)), the following shall be disclosed to the public, for staff whose professional activities have a material impact on its profile:

- (i) Disclosure of new sign-on and severance payments made during the financial year.
- (ii) Disclosure of amounts of severance payments awarded during the financial year.

The risk management function assesses on a yearly basis that these specific disclosures are applicable or not applicable within K&S.

## **6. GOVERNANCE**

Relevant legislation as per Article 9(3) of MIFID II and Article 27(3) of the MIFID II Delegated Regulation.

There is no remuneration committee considering the principles of proportionality.

The risk management function assesses how the variable remuneration structure affects the risk profile of the Company.

The compliance function assesses the compliance of the remuneration structure with the legislation, regulations, and internal policies.

The Company's Remuneration Policy will be reviewed periodically, as necessary, and no less than once a year. As part of this process the Authorized Management will ensure that it remains consistent with the Company's objectives. It will form part of "the management report to the Board: assessment of the status of the internal control system."