

Pay and remuneration policy



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Last updated May 2023

Changes to the policy

Updated based on comments from the Remuneration Committee.

The basis for the changes to the policy

Pending

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Companies obligated by this document

"Company" in this document means:
A/S Global Risk Management Ltd. Fondsmæglerselskab
A/S Global Risk Management Ltd. FS Holding ¹

Related procedures

Procedure
N/A

Document review and sign-off

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Abbreviations

Abbreviation	Description
GRM FS	A/S Global Risk Management Ltd. Fondsmæglerselskab (investment company)

¹ Taking into account that the only activity of A/S Global Risk Management Ltd. FS Holding is to hold ownership of the shares in A/S Global Risk Management Ltd. Fondsmæglerselskab.



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1. Definitions

In this policy, the variables below shall have the meanings assigned to them in this section.

“**Fixed Remuneration**” shall mean the contractually agreed monthly salary paid out in arrears and non-cash benefits.

“**Variable Remuneration**” shall mean any salary component not considered fixed remuneration.

“**Remuneration**” is the sum of all salary components, including fixed and variable remuneration.

“**Other benefits**” shall mean ancillary components of remuneration that are obtainable for a wide population of staff or staff in specified functions based on predetermined selection criteria.

“**Executive Management**” shall be assigned the meaning equivalent to the Danish word *Direktion* and is comprised of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Commercial Officer (CCO).

“**Material Risk-Takers**” shall mean any employee with a significant impact on GRM FS's risk profile or the assets it manages.

2. Legal basis

This policy is regulated by:

- The Danish Act on Investment Firms and Investment Services and Activities ("Act on Investment Firms"), Law no. 1155 of 08-06-2021, as amended
- Executive order no. 1242 of 10-06-2021 on remuneration policy and remuneration
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms

3. Introduction

The purpose of this remuneration policy is to outline key principles for remuneration, allowing the board of directors and executive management to keep and attract the best employees in their respective fields of work whilst ensuring a high degree of goal alignment between the individual and GRM FS.

As a relatively small and specialised financial company, with a majority of the activity located geographically distant from the leading financial centres in Denmark, GRM FS must generally adhere to the market developments in remuneration for personnel in the financial sector to stay relevant. Negative deviations to general remuneration levels are thus expected to impact negatively on the long-term ability to attract talent and will further increase the exposure for external recruitment of GRM FS's top-performing employees.

The board of directors must review the pay and remuneration policy at least annually² to ensure continued alignment of the policy with the actual status and robustness of GRM FS.

² In accordance with §6 in BEK no. 1242 10/06/2021

4. General principles

Remuneration contracts must adhere to the following general principles:

- Must ensure alignment with the current business strategy, including ESG in GRM FS, by linking the performance to a minimum of one strategic goal
- Must ensure financial and regulatory³ goal alignment with GRM FS by the inclusion of individual/team performance and overall GRM FS performance
- Must discourage excessive risk-taking
- Must discourage short-term decision making
- Calculation principles should strive towards including simple and objectively verifiable factors where possible
- Must include provisions regarding yearly review
- Can include non-quantifiable parameters such as general performance, support of colleagues etc.

In addition to the above, variable remuneration must adhere to the following general principles:

- Must be based on the performance of GRM FS, the performance of the employee's group/division/department and the employees' individual results (both economic and non-economic aspects can be included)
- Must have a clearly defined review and end date

For any Material Risk-Takers- defined below - employed on split contracts (working for more than one entity within the USTC Group), allocation of a proportional part of all variable remuneration to GRM FS is to be done in accordance with a conservative approach, i.e., allocating the larger fraction when splitting remuneration to GRM FS functions, e.g., based on contractual work split, EBT for the respective entities etc.

5. Material Risk-Takers

The board of directors must identify Material Risk-Takers.

Material Risk-Takers⁴ are per default:

- Members of the board of directors
- Executive Management

Other Material Risk-Takers:

- Employees responsible for compliance, risk management and any other controlling functions
- Employees with a remuneration corresponding to the lowest remuneration paid to a member of the executive management or another Material Risk-Taker within the financial year
- Employees who have a material impact on GRM FS's risk profile or the assets It manages.,

Generally, when Identifying Material Risk-Takers, any employee solely or partly responsible for making decisions under a delegated risk appetite mandate as described in the credit risk policy, market risk policy, liquidity risk policy and operational risk policy will be considered. The board of directors will - on an annual basis - determine which employees are considered Material Risk-Takers.

³ §109 in the Act on Investment Firms

⁴ In accordance with §4 in BEK no. 1242 10/06/2021 cf. article 30, sec. 4 of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms



6. Compensation components

6.1 Fixed Remuneration

To avoid escalation of the fixed cost base, GRM FS does not wish to be market-leading in fixed remuneration levels but seeks to be competitive. The fixed remuneration of GRM FS' employees should thus be kept at market conform levels when considering the individual area of responsibility, experience, education etc.

6.2 Variable Remuneration

Variable remuneration in excess of general market conditions deemed appropriate or necessary to attract or retain a specific employee should be referred to in a separate goal-aligned remuneration contract setting out additional remuneration when performance has been at or above specified levels directly or indirectly influenced by the employee.

6.3 Pension

Pension will be proportioned to the fixed remuneration and not inclusive of or affected by any variable remuneration⁵ components.

The board of directors has decided that GRM FS shall participate in the USTC Group pension scheme. The pension contribution will follow individual contracts and collective agreements where applicable.

For employees working out of the offices in Middelfart, Copenhagen or any other Danish location of GRM FS, it is mandatory to participate in the pension scheme.

6.4 Other benefits

To promote flexibility in travel and the course of day-to-day business, it is decided that GRM FS shall provide all full-time employees with:

- Laptop
- Mobile phone
- High-speed internet access at the employee residence.

All three items can be for personal and professional use alike, but costs deemed out of the ordinary and not work-relevant must be charged to the employee (e.g., donation via mobile phone to a charity by the employee's initiative).

To support the general health and well-being of the employees and to minimise health-related absence, it is decided that GRM FS shall provide all employees with:

- Health insurance
- Manage and contribute to the operation of an office canteen.

6.5 Cost reimbursement

Reimbursement of costs associated with accommodation, transportation and travel are to be managed in accordance with the local tax regulation.

⁵ and thus, not subject to the provisions in § 14 in BEK no. 1242 10/06/2021 and 109(2) in the Danish act on Investment Firms

6.6 Severance remuneration

Severance remuneration is to be used as compensation for enforcing non-compete clauses and in accordance with local rules. The inclusion of severance remuneration must be agreed upon before employment and/or in advance of changes to non-compete clauses or similar agreements restricting the employee's ability to take up alternative employment at will. The total value of a severance remuneration arrangement is not to exceed the equivalent of the preceding 12 months' remuneration (fixed and variable remuneration).

7. Conflicts of interest

Conflicts of interest are generally sought to be mitigated by the use of remuneration principles that ensure incentive alignment between the employee and GRM FS.

However, potential conflicts of interest and adverse effects on risk-taking can still occur, e.g., in the case of a lack of segregation of duties or other organisational design-related parameters creating direct or indirect conflicts of interest.

The remuneration of employees must not conflict with GRM FS's obligation to act in the clients' best interest. For instance:
- Employees responsible for compliance, risk management and any other controlling functions must not be rewarded based on the results in the sections/groups for which they are responsible.

7.1 Direct conflicts of interest

Is determined as the employee personally having a remuneration contract on which the remuneration is affected in full or in part by the same parameters that the employee is supposed to monitor or control.

7.2 Indirect conflicts of interest

Indirect conflict of interest is determined as:

- The employee is controlling the actions of immediate members of the family (spouse or children)
- Performance is measured on time horizons shorter than 12 months.

When designing remuneration contracts and job descriptions, direct conflicts of interest must be avoided to the furthest extent possible. Furthermore, no indirect sources of conflict of interest are allowed in remuneration contracts for:

- The board of directors
- Executive management
- Material Risk-Takers

8. Remuneration to Material Risk-Takers

The following limitations have been decided to ensure a controlled and justified development in the remuneration levels of different personnel groups.

8.1 Board of Directors

The pay and remuneration package for any member of the board is decided upon annually by the General Assembly. The overall policy is that:

- All board members receive fixed remuneration and no variable remuneration

- Compensation is made for travel expenses (mileage according to tariff approved by tax authorities) and any reasonable costs regarding travel, meetings, client visits etc.

8.2 Executive management

The board of directors is to decide on a yearly basis the remuneration and remuneration package for the executive management. When doing so, the board must observe the following provisions⁶:

- Variable remuneration must adhere to the general principles as stated in this policy
- Variable remuneration is limited to a maximum equivalent of 50% of the fixed remuneration adding pension contributions
- If the total annual variable remuneration linked to the performance of a member of the executive management does not exceed 100,000 DKK, the board of directors may decide that the requirements set out in this section (5.2) below regarding deferral and instrument shall not apply.
- If the total variable remuneration for a member of the executive management in a financial year does not exceed DKK 750,000, 60% of the total variable remuneration amount for a specific financial year can be paid out when the audited financials are completed subject to an internal assessment. The percentage threshold applied is to be determined annually in connection with the annual bonus' being calculated. Otherwise, a maximum of 40% of the total variable remuneration can be paid out (and not deferred).
- The remainder is to be paid out over a minimum of 5 years after the earning period (deferral period), depending on the conditions for deferred variable remuneration. The deferred variable remuneration can be allocated either pro-rata or with an increasing amount towards to end of the period.
- A minimum of 50% of the total variable remuneration must be an instrument (not cash). This instrument can comprise of - but not limited to - phantom shares, stock options⁷ or debt instruments, or a mix thereof. Prior to the commencement of the Deferral period, GRM FS decides which type of instrument is to be used.
- Members of the executive management are not allowed to use any hedge strategies or insurance to mitigate or eliminate the risk on any part of the variable remuneration paid out in instruments.
- Any deferred variable remuneration is subject to proper back-testing and depends on the criteria that formed the basis for the award still being fulfilled at the time of remuneration. Furthermore, the deferred variable remuneration is conditional on the fact that GRM FS' financial situation has not significantly deteriorated since awarding the variable remuneration and that it does not affect GRM FS' ability to live up to regulatory requirements for capital, creditworthiness, and liquidity.
- Variable remuneration that is finally awarded in the form of an instrument must be retained for at least 6 months (blocking period). During this period, the member of the executive management is not allowed to sell- or otherwise dispose of the instrument.
- Any remuneration out of variable remuneration linked to the performance made based on results proven to have been misstated is subject to a full or partial claw-back, provided that the recipient is in bad faith. The decision on claw-back is made by the board of directors

8.3 Other Material Risk-Takers

The CEO can set remuneration agreements with Material Risk-Takers as long as the following provisions⁸ are applied:

- Variable remuneration must adhere to the general principles as stated in this policy
- Variable remuneration is limited to a maximum equivalent of 100% of the fixed remuneration adding pension contributions. Under extraordinary circumstances, this limit may be raised to 200%.

⁶ §109 in the Act on Investment Firms

⁷ The value of stock options and similar instruments given may not exceed 12.5% of the fixed remuneration, cf. § 109, sec. 3 in the Act on Investment Firms

⁸ §109 in the Act on Investment Firms

- If the total annual variable remuneration linked to the performance of a Material Risk-Taker does not exceed 100,000 DKK, the board of directors may decide that the requirements set out in the section below regarding deferral and instrument shall not apply.
- If the total variable remuneration for a Material Risk-Taker in a financial year does not exceed DKK 750,000, 60% of the total variable remuneration amount for a specific financial year can be paid out when the audited financials are completed, subject to an internal assessment. The percentage threshold applied is to be determined annually in connection with the bonus' being calculated. Otherwise, a maximum of 40% of the total variable remuneration can be paid out (and not deferred).
- The remainder is to be paid out over a minimum of 4 years after the earning period (deferral period), depending on the conditions for deferred variable remuneration. The deferred variable remuneration can be allocated either pro-rata or with an increasing amount towards the end of the period.
- A minimum of 50% of the total variable remuneration must be an instrument (not cash). This instrument can comprise of - but not limited to - phantom shares, stock options⁹ or debt instruments, or a mix thereof. Prior to the commencement of the Deferral period, GRM FS decides which type of instrument is to be used.
- Material Risk-Takers are not allowed to use any hedge strategies or insurance to mitigate or eliminate the risk on any part of the variable remuneration paid out in instruments.
- Any deferred variable remuneration is subject to proper back-testing and depends on the criteria that formed the basis for the award still being fulfilled at the time of remuneration. Furthermore, the deferred variable remuneration is conditional on the fact that GRM FS' financial situation has not significantly deteriorated since awarding the variable remuneration and that it does not affect GRM FS' ability to live up to regulatory requirements for capital, creditworthiness, and liquidity.
- Variable remuneration that is finally awarded in the form of an instrument must be retained for at least 6 months (blocking period). During this period, the member of the executive management is not allowed to sell- or otherwise dispose of the instrument.
- Any remuneration out of variable remuneration linked to the performance made based on results proven to have been misstated is subject to a full or partial claw-back, provided that the recipient is in bad faith. The decision on claw-back is made by the board of directors

9. Internal reporting

Once a year, in connection with the year-end financial audit, a report must be prepared and presented to the board of directors enabling the board to assess whether the provisions of this policy have been adhered to¹⁰ in the preceding year.

The report is prepared either by the responsible payroll officer or an independent external party. For the control, a sufficient number of employees covered by this policy is designated for a sample test where contracts and remuneration checks are being compared with this policy,

The report is to be prepared by the payroll responsible officer/employee, and the accuracy of the report is to be verified by GRM FS's external and independent auditor.

This policy must always be available¹¹ directly or upon request, and changes should be communicated to members of the board, the executive management and the Material Risk-Takers.

⁹ The value of stock options and similar instruments given may not exceed 12.5% of the fixed remuneration, cf. § 109, sec. 3 in the Act on Investment Firms

¹⁰ §7 BEK no. 1242 10/06/2021

¹¹ §17 BEK no. 1242 10/06/2021

10. Mandates

10.1 Mandates to the chairman of the board

The Chairman of the Board is granted the right to negotiate all salary terms with the executive team within the principles stated in this policy and based on a dialogue with the company owners.

10.2 Mandates to the executive management

The executive management is granted the right to negotiate all salary terms with subordinate employees in GRM FS within the principles stated in this policy.

11. Appendix 1 – Delegated mandate overview

Individual	Variable	Mandate	Unit	Notes
Chairman of the board	Salary	Negotiate and decide on full salary with the executive team		Must adhere to limitations in policy on remuneration and remuneration
	Delegation	The chairman may delegate the negotiation of salaries to the CEO with respect to agreements with the other members of the executive team		If delegated, the CEO must notify the chairman of any changes to the salaries of the members of the executive team.
Executive team	Salary	Negotiate and decide full salary with subordinated employees		Must adhere to limitations in policy on remuneration and remuneration
	Delegation	Yes		Within own mandate