Pay and remuneration policy

Last updated May 2024

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

Responsible for Review	Review date	Document approver	Approval date
Head of Legal	14 September 2020	Board of Directors	21 September 2020
Head of Legal	14 September 2021	Board of Directors	24 September 2021
Head of Legal	14 September 2022	Board of Directors	27 September 2022
Executive Management	17 May 2023	Board of Directors	21 June 2023
Executive Management	November 2023	Board of Directors	20 December 2023
Head of Legal	May 2024	Board of Directors	

Revision history

Version	Changes to the policy	Basis for changes	Legal basis
5.0	N/A	Annual review	Duty of supervision
6.0	N/A	Annual review	Duty of supervision
7.0	N/A	Annual review	Duty of supervision
8.0	N/A	Annual review	Duty of supervision

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 set out in the individual employment agreements.

"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 significantly impacting the Company'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. 232 of 2024-03-01, 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.
- Commission Delegated Regulation (EU) 2021/2154 of 13 August 2021.

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 the Company. Further, the purpose is to outline criteria for identifying Material Risk-Takers and preventing conflict of interest.

As a relatively small and specialised financial company, with a majority of the activity located geographically distant from the leading financial centres in Denmark, the Company 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 the long-term ability to attract talent and will further increase the exposure for external recruitment of the Company's top-performing employees. It is part of the Company's business expansion strategy, which requires top-performing and motivated employees. Recruitment and retention of top-performing employees require market-conforming remuneration packages, which is why this is a high priority for the Company. By ensuring that top employees are motivated and paid a marked conform remuneration, the Company also minimises the risk of staff turnover, which is essential for expanding the business and keeping unnecessary costs at a minimum. To make sure that all remuneration packages are marked conform, the Company aims toward using external gender-neutral benchmarks, the aim is that most positions within the Company will be benchmarked with similar positions in similar companies. Benchmarking is relevant when onboarding new employees and on an annual basis.

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Furthermore, the Company is working on implementing Directive (EU) 2023/970 on equal pay between genders to fulfil the requirements in Directive (EU) 2023/970 and as a part of the Company's DEI strategy.

The Board of Directors must review the pay and remuneration policy at least annually[2] to ensure continued alignment of the policy with the actual status and robustness of the Company.

4. General principles

The Company has a strong focus on profitable growth, which requires top-performing employees in all positions within the Company. The Sales team is crucial for profitable growth. To support the Sales team, it is a high priority for the Company to continually focus on monitoring and handling compliance risk to allow for business. Furthermore, the Company also strongly focuses on sound risk management, systems, and culture.

Therefore, all remuneration contracts must adhere to the following general principles:

- Must ensure alignment with the current business strategy, including ESG and CSR in the Company, by linking the performance to the long-term ambitions for the Company, among others, to expand the business and the ability to attract and retain top-performing employees.
- Must ensure financial and regulatory[3] goal alignment with the Company by including individual/team performance and overall company performance.
- Must be gender-neutral in line with the Company's Gender Neutral Strategy.
- Must discourage excessive risk-taking.
- Must discourage short-term decision-making.
- Calculation principles should strive towards including simple and objectively verifiable factors where possible, which is possible by using external benchmarks.
- 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 the Company, 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 and thereby employed in more than one entity within the USTC Group, any variable remuneration will be allocated with a conservative approach and in accordance with the terms defined in the split employment agreement.

5. Material Risk-Takers

The Board of Directors must identify Material Risk-Takers.

[2] In accordance with §6 in BEK no. 1242 10/06/2021
[3] §109 in the Act on Investment Firms

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Material Risk-Takers[4] are per default:

- Members of the Board of Directors.
- Executive Management.

Other potential Material Risk-Takers:

- Employees responsible for compliance, risk management, and other second-line defence controlling functions.
- Employees who have a material impact on the Company's risk profile or the assets it manages.
- 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 awarded a total remuneration equal to or greater than EUR 500,000.00 in or for the preceding financial year.

Calculation of total remuneration is calculated gross and on a full-time equivalent basis.

The criteria linked to the level of remuneration do not apply where the Company assess that the employee does not belong to a group of employees that has no material impact on the risk profile of the Company.

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 criteria set out in articles 3 and 4 in the Commission Delegated Regulation (EU) 2021/2154 of 13 August 2021 are also considered when assessing and identifying Materiel Risk-Takers.

Employees responsible for providing internal support crucial to the operation of the Company's business activities, their activities and decisions may also have a material impact on the Company's risk profile. Further, employees with managerial responsibility may have a material impact on the risk profile or the assets it manages as they can make strategic or fundamental decisions that may impact the Company's business activities or the control functions applied. The Company assesses that such functions include risk management, compliance and finance. It is, however, the Company's assessment that certain business activities create higher risks than others and therefore, the nature of the business activities must be considered. To mitigate the risks, the Company has policies and procedures that ensure that the Board of Directors must be involved when high-risk decisions must be made, which deliminates the mandate of the respective employee.

The Board of Directors will - on an annual basis - determine which employees are considered Material Risk-Takers. The Board of Directors has a list of identified Material Risk-Takers, the list is updated on an annual basis accompanied with explanations on how and why the employees are identified.

6. Compensation components

6.1 Fixed Remuneration

To avoid escalation of the fixed cost base, the Company does not wish to be market-leading in fixed remuneration levels but seeks to be competitive. The fixed remuneration of the Company's employees should thus be kept at market conform levels when considering the individual area of responsibility, experience, education, complexity, local terms of employment, etc.
The elements are evaluated differently depending on the position; however, the same principles apply for all positions, including head-of positions.

[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

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6.2 Variable Remuneration

Variable remuneration above 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. The Company has different variable remuneration packages allocated to certain groups of employees. All packages are individual, and the aim is that the covered employees perform even better but without excessive risk-taking, which is essential for the Company's profitable growth, etc.

Variable remuneration is based on assessing performance against the pre-defined KPIs and targets. Depending on the type of employment, the Company uses a balance of short-term and long-term objectives, KPIs, non-financial, financial objectives, etc.

Variable remuneration supports facilitating the correct behaviour according to the Company's cultural values and commitments and rewards performance in line with the Company's strategy.

6.3 Sign-on bonus and buy-out bonus

In extraordinary cases the Company may pay a sign-on bonus for top-performing candidates to join the Company. Sign-on bonus is only paid when the Company deem it necessary to attract top-performance employees in line with the Company's strategy of expanding its business. Sign-on bonus is subject to the candidate commencing the position and the Company having a positive and healthy capital base when entering the agreement.
When hiring a top-performing candidate, the Company investigates if the candidate has variable remuneration packages in the candidate's current job and whether the variable remuneration is affected if the candidate resigns, as the Company does not offer any form of buy-out bonus to new-joining employees.

6.4 Pension

Pension will be proportioned to the fixed remuneration and not inclusive of or affected by any variable remuneration[5] components.

The Board of Directors has decided that the Company shall participate in the USTC Group pension scheme. The pension contribution will follow individual contracts.

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

6.5 Other benefits

To promote flexibility in travel and the course of day-to-day business, it is decided that the Company 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. Still, 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).

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[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

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

- Health insurance.
- Manage and contribute to the operation of an office canteen.
- Annually, five other vacation days.

6.6 Cost reimbursement

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

6.7 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. Conflict 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 the Company.

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 the Company's obligation to act in the clients' best interest. For instance:
- Employees responsible for compliance, risk management and other controlling functions must not be rewarded based on the results in the sections/groups for which they are responsible.

Further, the Company has analysed whether there are other potential conflicts of interest towards the clients. This could e.g. relate to whether affiliated companies' positions in the markets may facilitate a risk of the Company's Sales team trying to affect the Clients to the benefit of the group of the Company but to the detriment of the Client. The Company has concluded that this risk is mitigated through the fact that the Company does not offer investment advice to our clients, and the Sales team will accordingly not be encouraging clients to undertake certain positions but is offering to provide hedging services as needed by the clients.

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 controls the actions of immediate members of the family (spouse or children).

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- Performance is measured on time horizons shorter than 12 months.

Direct conflicts of interest must be avoided to the furthest extent possible when designing remuneration contracts and job descriptions. 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 a 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 yearly the remuneration and remuneration package for the CEO, and according to clause 10, the CEO is to decide yearly the remuneration package in respect of the other members of the Executive Management. When doing so, the board must observe the following provisions[6]:

- The fixed remuneration of the Executive Management should be kept at market conform but competitive levels when considering the overall area of responsibility, experience, seniority, complexity, etc.
- 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 (8.2) 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 will 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 options[7] or debt instruments, or a mix thereof. Before the commencement of the Deferral period, the Company decides which type of instrument is to be used.

[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

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- 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 the Company's financial situation has not significantly deteriorated since awarding the variable remuneration. It does not affect the Company's ability to meet regulatory requirements for capital, creditworthiness, and liquidity.
- Variable remuneration awarded as 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 provisions[8] 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%.[9]
- 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 will 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 options[10] or debt instruments, or a mix thereof. Before the commencement of the Deferral period, the Company 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 the Company's financial situation has not significantly deteriorated since awarding the variable remuneration. It does not affect the Company's ability to meet regulatory requirements for capital, creditworthiness, and liquidity.
- Variable remuneration awarded as 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.

[8] §109 in the Act on Investment Firms
[9] The 200% must be proposed by the Board of Directors to the general meeting. The Danish FSA must also be informed and must be given a reason for the proposal. The FSA must be informed when/if the proposal is adopted by the general assembly.
[10] 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

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- 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 to[11] 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 report's accuracy is to be verified by the Company's external and independent auditor.

This policy must always be available[12] directly or upon request, and changes should be communicated to members of the board, the Executive Management and the Material Risk-Takers.

10. Mandates

10.1 Mandates to the chairman of the Board of Directors

The Chairman of the Board is granted the right to negotiate all Remuneration terms with the Executive Management 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 Remuneration terms with subordinate employees in the Company within the principles stated in this policy.

[11] §7 BEK no. 1242 10/06/2021
[12] §18 BEK no. 1242 10/06/2021

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Appendix 1 – Delegated mandate overview

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

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