



Risk Adjustment Policy for
Peel Hunt Europe Fondsmæglerselskab A/S

2024

1 Introduction

1.1 Purpose

The purpose of the Peel Hunt Europe Fondsmæglerselskab A/S (“PH Europe” or the “Firm”) risk Adjustment Policy (the Policy) is to outline the framework by which risk adjustments are made to variable remuneration awarded to Peel Hunt employees..

A risk adjustment refers to the adjustment of variable remuneration to take account of a specific crystallised or expected risk or adverse performance outcome including those relating to misconduct (a ‘relevant event’). Risk adjustments include reducing current year awards, the application of malus (reducing or cancelling deferred incentive awards that have not yet vested), and clawback (recouping already vested awards). Risk adjustments can happen on an individual or collective basis depending on the materiality and culpability of the crystallised risk event. Risk adjustments can either be ‘ex-ante’ (‘before the event’), in order to take account of future risks, or ‘ex-post’ (‘after the event’) in response to a crystallised risk event.

The risk adjustment factors are levied on all remuneration components and apply to both upfront and deferred bonus as part of the back testing procedure. The Firm holds a clear annual KPI performance process to use in this context. During the annual performance management process and compensation period as well for back testing purposes, the PH Europe’s Management Board shall work closely with the PH Europe Board of Directors (“the Board”), to ensure that they appropriately adjust and moderate the pay of employees based on trigger events (outlined below) and performance.

The Policy is designed to promote sound and effective risk management and behaviour, ensuring that performance and remuneration outcomes take into account all current and future risks, consistent both within Peel Hunt’s risk-based remuneration policy and the Firm’s wider business strategy and risk appetite.

1.2 Intended Audience

This document is intended for all staff of PH Europe and where relevant to current and former employees, permanent or temporary employees as well as interns and secondees (the “Intended Audience”).

1.3 Document Scope

The Firm reserves the right, subject to applicable laws, rules and regulations, to amend, modify or discontinue this Policy at any time, in its sole discretion. This Policy does not supersede any employment contract, or any other agreement entered into with PH Europe. This Policy should be read alongside all other relevant policies adopted by PH Europe, including but not limited to the Policy on the Compliance Function.

1.4 Document Ownership

The owner of this document is responsible for ensuring that:

- the content of this Policy, including any translations, remains complete, accurate, and up-to-date and that it is available to the Intended Audience;
- the review process is completed in line with the appropriate timetable; and
- processes and procedures exist in local offices to implement this Policy. These must be stored centrally and be accessible to all staff.

This PH Europe Policy is governed by the Board, and all changes to this document shall be approved by the Board.

This Policy will be reviewed at least annually, or more frequently as required to ensure that it takes account of any necessary changes to PH Europe’s regulatory and operating environment, including alignment with evolving regulatory expectations.

When reviewing the Policy, the Policy owner will consult with the Chief Risk Officer and Head of Peel Hunt Group Compliance to ensure that it meets all relevant regulatory requirements, as well as aligning with the Firm's risk appetite.

2 Ex-post risk adjustment

There are a number of forms of remuneration offered by PH Europe to its employees.

2.1 Application

PH Europe may apply ex-post risk adjustment if it becomes aware of information that would either impact an 'in-year' variable remuneration decision or have affected a past decision about an individual's variable remuneration in the prior three years.

There are a number of forms of remuneration offered by PH Europe to its employees.

2.2 Trigger Events

A list of events which may trigger an ex-post risk adjustment may include, but is not limited to material:

- audit findings (internal and external)
- special investigation findings
- effectiveness of internal control
- risk failings
- unreasonable failure to address agreed audit or management actions in a timely manner
- service management failings
- risk appetite breaches
- new financial provisions made
- employee misbehaviour or misconduct cases
- regulatory considerations, including conduct risk, compliance monitoring findings, material criticism by a regulator, FCA conduct rule breaches, etc.
- any events which may be in contravention of the risk, compliance, conduct and control objectives that are applicable in each employee's performance objectives
- further examples are provided in the Appendix (this list is not exhaustive)

2.3 PH Europe variable remuneration adjustment

The PH Europe Board will annually approve any such business area collective adjustment. The Board will annually confirm whether any such collective adjustment has been made to the variable remuneration amount.

2.4 Individual variable remuneration adjustment

In determining variable remuneration to be paid on an individual basis, any of the trigger events at 2.2 shall be considered. Any necessary downwards adjustment will be determined in line with the process set out below.

During the annual performance management process and compensation period, the PH Europe CEO shall work closely with the Board, to ensure that the Firm appropriately adjusts and moderates the pay of employees based on the trigger events and performance.

Firstly, the PH Europe CEO requests that the Group HR Director and the Chief Risk and Compliance Officer compile a list ("Performance List") of any individuals who have:

- Been party to disciplinary procedures during the relevant performance / financial year;
- Scored "Improvement Required" or "Unsatisfactory" in respect of either their conduct or performance; and
- Any other risk or conduct concern raised

Once the PH Europe CEO has submitted the initial proposals for compensation awards (salary increases and variable remuneration), Group HR Director and the Chief Risk and Compliance Officer will review the proposed compensation awards against the Performance List and highlight any awards that do not seem to have been adjusted to take into account performance and any issues arising from the trigger events. Any such awards are highlighted to the Management Board for their consideration and further adjustment.

Executive Management will then moderate the adjusted awards, acting reasonably, to ensure consistency between the different departments and to ensure that awards are adjusted consistently taking into account factors including, but not limited to:

- the materiality of any risk event;
- the individual's proximity to the event;
- whether an individual was directly or indirectly responsible for an identified risk event;
- whether an individual failure to follow existing rules, processes or policies caused the event to come about;
- whether control processes existed;
- whether there was a failure to undertake appropriate checks and balances;
- whether an employee consistently failed to meet risk or compliance objectives;
- whether there has been a negative effect on the Firm's reputation;
- whether there has been any customer impact;
- whether there was a failure to properly escalate an event;
- any mitigating actions taken by employee;
- whether the event has resulted in any regulatory intervention; and
- the impact on overall risk profile of the Firm, including future risk impact.

The CEO with input from HR will then moderate the adjusted awards, acting reasonably, to ensure consistency between the different departments and to ensure that awards are adjusted consistently taking into account the factors listed.

Control Function input (from the Chief Risk and Compliance Officer via a meeting) when considering any individual adjustments to ensure that adjustments are appropriate made considering all conduct, risk and compliance issues.

Furthermore, the PH Group HR Director may make recommendations together with relevant internal stakeholders to moderate the proposed compensation awards for any members of staff on a leave of absence due to sickness, maternity or paternity to ensure that awards are fair and appropriate.

Awards are also moderated for members of staff who may have joined the Firm during the performance year, such that no member of staff receives a disproportionate level of compensation.

Furthermore, the CEO may consider to moderate the proposed compensation awards for any members of staff on a leave of absence due to sickness, maternity or paternity to ensure that awards are fair and appropriate.

2.5 Material wrongdoing adjustments

Where a trigger event (as outlined in 2.2) has occurred and led to identified Material Wrongdoing, the Firm may require an employee to repay to the Firm within two months of notification, any variable remuneration received by the employee at any time during the 3-year period after such variable remuneration has been paid or vested (in the event of share based awards).

Material Wrongdoing is defined as:

- the employee has participated in or was responsible for conduct which resulted in a significant negative impact on the Firm or its clients or the market;

- the employee has failed to meet appropriate standards of fitness and propriety (which includes matters resulting in regulatory investigation and/or sanction such as acting against the interests of the Firm's clients); or
- the Firm has reasonable evidence of fraud or material dishonesty by the employee
- where any of the events outlined in 2.2 have been triggered by the employee.

Should the Board, assess that Material Wrongdoing has occurred; the Board shall direct the CEO to assess the evidence to approve the adjustment amount to be applied (which may be proposed by HR/Chief Risk and Compliance Officer with relevant internal stakeholders). Any determination regarding Material Wrongdoing adjustment shall be at the discretion of the Board, having considered all relevant evidence and having taken feedback from all relevant stakeholders.

The operation of Material wrongdoing adjustments by the Firm shall be without prejudice to any other rights or remedies that may be available to it.

3 Ex-ante Risk Adjustment

In addition to the application of ex-post risk adjustment following the crystallisation of specific risk events, the Firm also takes account of intrinsic risks inherent in its business activities and the potential for future unexpected losses through several ex-ante risk adjustment measures. These include:

- a risk-based approach to aggregate decisions regarding variable remuneration, ensuring that such awards do not negatively impact the Firm's liquidity position, nor limit the Firm's ability to maintain its capital base. Consideration of all current and future risks throughout the remuneration cycle evidenced by Control Function input into Board discussions; and
- the use of performance criteria (not limited to but including DFSA requirements, the Firm's values and staff objectives) in the performance assessment process to align risk and performance with individual reward, including information and outcomes from ongoing Risk, Compliance and HR processes.

4 Control Function Remuneration

Further measures are in place to ensure that remuneration outcomes for Control Function staff predominantly reward performance against the objectives and success of the Control Function rather than the Firm's profits:

- fixed remuneration is set to ensure that Control Function staff are remunerated adequately to attract qualified and experienced staff, including employees carrying out risk management, compliance, and internal audit roles;
- variable remuneration outcomes for Control Function staff predominantly reward performance against the objectives and success of the Control Function rather than PH Europe profits;
- all Control Function staff shall have appropriate authority and be independent from the business lines they oversee; and
- to strengthen the independence of the control functions from the business lines they oversee, the Board will review and approve the performance objectives and remuneration of the Chief Risk Officer and Compliance Officer.

5 Remuneration Governance

Annually, Control Functions (Risk Management and Compliance) shall present their assessment of the performance year to the Board to ensure that remuneration outcomes are aligned with the Firm's capital and liquidity position, and risk appetite. Finance will also be invited to input into the discussions to ensure that proposed payments are aligned with the Firm's financial performance.

To support the Board's approval of variable remuneration payments, Risk Management, Compliance and / or FinOps Principal should explicitly confirm to the Board that the payment of variable remuneration does not negatively impact the Firm's liquidity position, nor limits the Firm's ability to maintain an appropriate capital base.

6 Appendix: Example criteria for determining whether ex-post risk adjustment is appropriate

Not all situations will lead to ex-post risk adjustment. Ex-post risk adjustment should be considered at a minimum if any of the following circumstances apply:

- there is reasonable evidence of employee misbehaviour or material error;
- Peel Hunt Group or PH Europe suffers a material downturn in its financial performance; or
- Peel Hunt Group or PH Europe suffers a material failure of risk management.

The determination of whether ex-post risk adjustment applies should be based on consideration of the facts and circumstances. The (non-exhaustive) guidelines provided in the Group Risk Adjustment Policy should be used by the Board to determine whether ex-post risk adjustment should be applied:

- was the event due to employee actions?
- did a failure to follow existing rules, processes or policies cause the event to come about?
- did existing control processes exist?
- was there a failure to undertake appropriate checks and balances?
- did an employee consistently fail to meet risk or compliance objectives, or has established a pattern of unsatisfactory ratings against risk or compliance measures?
- has there been a negative impact on Peel Hunt's reputation?
- has an employee failed to fulfil responsibilities, either deliberately, through negligence or incompetence?
- has there been any involvement from the relevant regulators?
- has there been any customer/ client impact?
- have Peel Hunt's risk appetites been breached?
- was there a failure to properly escalate an event?
- was there a failure to undertake reasonable measures which could have led to the discovery of the issue, situation or incident now faced by Peel Hunt?

If one or a number of the above circumstances are identified the Board should determine whether ex-post risk adjustment be applied.

Individuals in scope

The use of ex-post risk adjustment should not be limited to employees or groups of employees directly responsible. In cases involving a material failure of risk management or misconduct PH Europe should consider applying ex-post risk adjustment to those employees or groups of employees who:

- were aware, or could have been reasonably expected to be aware, of the failure or misconduct at the time it occurred, but failed to take adequate steps to promptly identify, assess, report, escalate or address it;
- by virtue of their role or seniority could be deemed indirectly responsible or accountable for the failure or misconduct, including senior staff in charge of setting the firm's culture and strategy; and
- by virtue of their role or seniority within control functions could be considered to be responsible for weaknesses and failings in control functions relevant to the failure or misconduct.

Amount of ex-post risk adjustment

When determining the amount of any ex-post risk adjustment the Board should ensure that the size of the adjustments reflect the severity of the event, are material in size and are sufficient to drive positive individual behaviours and culture within Peel Hunt.

Ex-post risk adjustments should be based on (but not limited to) the following criteria:

- the impact on profitability (e.g. profit before tax) – actual/accounting and provisioned
- direct and indirect financial losses attributable to the relevant failure
- the cost of fines and impact of other regulatory actions
- timeframe during which the event occurred and whether losses/costs are still accumulating
- reputational damage

- impact on Peel Hunt's relationships with stakeholders, including shareholders, customers, clients, employees, creditors, the taxpayer, counterparties and regulators.
- redress costs
- extent of customer detriment
- severity of impact on other projects, systems and IT Security
- an individual's level of culpability or proximity to an event
- the individual's seniority
- other quantitative measures and informed judgment

The Board should give due consideration to any reasonable steps an employee took (even if not fully effective) to prevent the event from arising or to mitigate its impact. Based on these considerations, it may be appropriate to reduce the degree of ex-post risk adjustment applied or eliminate it all together.

7 Policy Version Control

7.1 Ownership

Document Title	Risk Adjustment Policy
Adopted by	The Board of Directors
Owner	The Board of Directors
Release Date	22/05/2024
Approved By	The Board of Directors


7.2 Document History

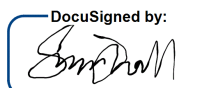
Date	Author/Approver	Revision	Key Changes/Comments
13/01/2023	HR	1.0	1 st Edition
22/05/2024	The Board of Directors	2.0	2 nd Edition

7.3 Document Approval

The document along with the policies and procedures contained within, has been approved as detailed below.

Version	Date	Approved By
1.0	13/01/2023	The Board of Directors
2.0	22/05/2024	The Board of Directors

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7.4 Links to other Policies and Procedures

Policy	LINK
N/A	N/A