

# Remuneration structure

## Introduction, background and purpose

Brock Milton Capital AB (“**BMC**” or the “**Company**”) has adopted a remuneration policy for the purpose of ensuring that the Company meets the regulatory requirements. BMC is defined as a so called “*small and non-connected investment firm*” according to the Regulation (EU) 2019/2033 on the prudential requirements of investment firms (*Sw. Värdepappersförordningen (IFR)*). Hence, Chapter 3 a, Section 3 of the Swedish Financial Supervisory Authority's regulatory code (FFFS 2017:2, amended through FFFS 2021:27) regarding investment firms (“**Regulation 2017:2**”) is not directly applicable to the Company. However, the Company has chosen to have a documented remuneration policy taking into consideration Regulation 2017:2 in order to ensure a sound and risk-based approach to its remuneration model. This remuneration policy comprises the foundations and principles of how remuneration shall be determined, implemented and monitored and how the Company defines employees whose duties have a material impact on the Company's risk profile, so called *pecially regulated staff* or *identified staff*.

The remuneration policy must be consistent with and promote sound and effective risk management as well as discourage excessive risk-taking. The policy shall be updated and reviewed regularly, at least annually.

The policy must be designed and applied in a manner that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its operations. The policy must also be consistent with the Company's business strategy, objectives, values and long-term interests.

## Target group

The policy applies to all employees in the Company.

## Definitions

Terms and definitions shall have the following meaning:

*Employees whose duties have a significant impact on the Company's risk profile or Specially regulated personnel:* Employees who the Company has identified as such in accordance with the EBA Guidelines on sound remuneration policies under the Investment Firm Directive.

*Discretionary pension benefits:* A pension benefit that the Company grants to an employee on an individual basis as part of his or her variable remuneration. This does not include accrued benefits granted to the employee earned according to the terms of the Company's pension system.

*Remuneration:* All remuneration and benefits to an employee (e.g. cash salary and other cash remuneration, remuneration in the form of shares or share-related instruments, provisions for pensions, severance pay and company car).

*Internal controls:* The Company's department(s) for risk control, compliance and internal audit or the equivalent.

*Senior Management:* The CEO, the deputy CEO and other persons in the Company's Management Group or similar body who are directly responsible to the Board of Directors or the CEO, such as the CFO, if the person is employed by BMC.

*Risk taker:* An employee belonging to a category of staff whose professional activities can have a material impact on the Company's risk level. This normally refers to employees who can enter into agreements or take positions on behalf of the Company or in any other way impact the Company's risks.

*Specially regulated staff:* Senior Management and employees in the following categories of staff have been identified by the Company as specially regulated staff in accordance with Chapter 2, Section 3 of Regulation FFFS 2011:1:

- Employees in strategic management positions,
- Employees responsible for control functions,
- Risk takers, and
- Employees whose total remuneration is equal to or exceeds the total remuneration to any of the members of Senior Management.

*Variable remuneration:* Remuneration where the amount or size is not determined in advance. Variable remuneration should be linked to measurable financial criteria. Commission-based salary, that is not linked to future risk commitments that could change the Company's statement of profit or loss or balance sheet, should not be counted as variable remuneration.

### **Specially Regulated Staff/Identified Staff**

A system that provides a high level of remuneration to an individual employee who has contributed to good results in the short term, but whose decisions in the long term could lead to losses for the Company, may distort the perspective of employees and can cause them to disregard the best long-term interests of the Company. An inappropriately designed remuneration system and the payment of variable remuneration may also negatively affect the Company's liquidity and result in the Company failing to comply with regulatory requirements.

In light of this it is of the utmost importance that the Company ensures that the remuneration system is consistent with and promote sound and effective risk management. The role of remuneration is fundamental to the risk structure of finance companies. As a result of this, the Company's ability to identify such personnel as are defined above as specially regulated personnel is crucial to the assessment of whether the remuneration system meets the requirements of sound and effective risk management.

The Company shall make an annual analysis in order to identify employees whose work has a material impact on the Company's risk profile. This analysis must take into account all risks that the Company is or may be exposed to, including the risks associated with the remuneration system. The annual analysis shall be documented.

## **Management and control**

The Board shall decide on:

- Remuneration to the Senior Management.
- Remuneration to those responsible for compliance, risk management and internal auditing functions.  
If any of these functions have been outsourced, it is the CEO's responsibility to ensure that the fees are paid without any element of variable remuneration.
- Measures to monitor the application of the policy.

The Board's decisions shall, where applicable, comply with decisions taken at the Annual General Meeting with regard to remuneration in the Company.

The CEO can decide on remuneration to other categories of employees than Senior Management. Such decision shall be subject to review by the Remuneration Committee and control functions review before approval.

### Control functions review

The Company's compliance function and/or internal auditing functions must review whether the Company's remuneration system complies with the policy. The review should also consider whether the policy is consistent with the Company's business strategy and goals and take into account the long-term effects of investment decisions made as well as avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk-taking. The functions must report the results of the review to the Board no later than in conjunction with the adoption of the annual Financial Statements.

The Company must ensure that those employees responsible for control functions are independent of the business areas they oversee and have appropriate powers and resources to monitor and control the risks associated with the Company's remuneration system. In the event that an employee in a control function does not consider that they have the appropriate powers or resources according to this provision, the CEO and the

Board must be informed as soon as possible and appropriate measures be taken.

Employees in control functions must not receive variable remuneration.

## Remuneration structure

### General information on remuneration

The Company pays its employees through fixed and, where appropriate, variable remuneration. Fixed remuneration means a fixed salary or hourly rate. Salaries and hourly rates are determined individually with regard to relevant professional experience and organizational responsibility as set out in the employee's job description as part of the contract of employment. In determining the salary or hourly rate; education, seniority, level of expertise and skills as well as the market salary for the relevant position must also be taken into account. The Company applies overall gender pay equality, generating same pay to women and men for substantially equal work. The content of the job description determines whether jobs are substantially equal, however relevant experience and other work-related qualities needed for the job shall also be considered.

Medical insurance is paid for employees in certain positions. All employees with a monthly salary and a registered residence in Sweden are covered by BMC's applicable *Pension policy*.

Additionally, employees are entitled to receive an annual wellness allowance (Sw. friskvårdsbidrag), unless stated otherwise. The size of the wellness allowance shall be set in accordance with Swedish tax regulations.

### Variable remuneration

All employees may receive variable remuneration unless otherwise specified. Variable remuneration must be based on relevant and predetermined measurable financial and non-financial criteria and take into consideration the Company's business cycle and business risks. These criteria must reflect a sustainable and risk-adjusted performance as well as performance over and above that required to meet the requirements of the employee's job description as part of the contract of employment. Variable remuneration must not encourage excessive risk-taking, including risks associated with sustainability and ESG.

Remuneration models that may exist in the Company must have an appropriate balance between fixed and variable components. Fixed components must account for a large enough portion of the employee's total remuneration to allow for the variable components to be zero. For employees who receive variable remuneration, the variable remuneration must never be greater than the fixed remuneration. When applicable, variable remuneration may be subject to deferral.

Variable remuneration must not contain discretionary pension benefits.

The Company's Board retains the right to unilaterally make decisions regarding whether an employee's variable remuneration should be adjusted or withheld.

### **Integration of sustainability risks**

Sustainability risks are considered in terms of variable compensation with the aim of promoting a healthy business and culture and curbing excessive risk-taking. Qualitative criteria are stipulated in the policy and quantitative criteria are subjective and are balanced in relation to the employee's duties and responsibilities.

### **Performance assessment and risk adjustment**

The Company's assessment of the results that form the basis for calculating variable remuneration must primarily be based on *risk-adjusted profit measurement*. Both current and future risks must be taken into account. In making an assessment, the Company must also take into account actual capital costs and the liquidity required for the operation.

The Company's performance assessments must also be made with a long-term perspective in mind, in order to ensure that these are based on results that are sustainable in the long term and that the Company's underlying business cycle and risks are taken into account when paying performance-based remuneration.

If the Company uses subjective assessments for adjusting the results based on risk, the considerations that form the basis for the adjustment must be well-thought-out and well documented.

### **Remuneration committee**

The Company is not required to establish a remuneration committee due to being a small and non-connected investment firm. However, the Company has established a remuneration committee. The remuneration committee is responsible for preparing decisions on remuneration, evaluating the Company's remuneration model and examine whether the incentives in the remuneration model take into account risk, capital and liquidity, as well as the probability and timing of results. The remuneration committee shall report to the Board in accordance with the instructions set up in the *Instructions for the Remuneration Committee*.

### **Voluntary gender pay gap report**

The Company is not required to submit an annual gender pay gap report to the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) due to being a small and non-connected investment firm. However, the Company may voluntarily submit a gender pay gap report.

### **Responsibility and administration**

The contact person regarding the policy is the CEO. The CEO is responsible for implementing the policy, whereas the CCO is responsible for reviewing Compliance with its provisions.

### **Updates and amendments**

The Company's Board shall regularly and at least annually review and adopt the policy. The review should include an analysis of whether the policy is gender-neutral.

The Company's Board reserves the right to, in its sole discretion and at any time, amend or withdraw the policy without prior notice.

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