

# DISCLOSURE REQUIREMENT OF CAPITAL AND RISK

Financial Year 2022



GlobalEvolution

# Disclosure Requirement of Capital and Risk

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Function(s):	Board of Directors
Responsible:	Chief Financial Officer
Date:	Financial year 2022

## 1. INTRODUCTION AND PURPOSE

According to Regulation (EU) 2019/2033 on Prudential Requirements on Investment Firms (“EU Investment Firm Regulation”) Article 47 the Global Evolution Group, which consist of Global Evolution Fondsmæglerselskab A/S (“Global Evolution FMS or the Company”), Global Evolution Financial ApS and Global Evolution Holding ApS, (“the Group”) must comply with detailed disclosure requirements by publishing its risk objectives and policies for risk management on a set of pre-defined risk categories.

This report is made public once a year on the Company website: <https://www.globalevolution.com> and follows the chronology of the EU Investment Firm Regulation. All information in this report is pr. 31. December 2022, unless something else is stated.

## 2. RISK OBJECTIVES AND -POLICIES

The Board of Directors has established policies for several different risk categories. The main types of risk to which the company may be exposed can be grouped as follows:

- Risk to Client
- Risk to Market
- Risk to Firm
- Concentration risk
- Liquidity risk

### Risk to Client

Risk to Client covers client’s assets under management and ongoing advice, client’s money held client’s assets safeguarded and administered, and client orders handled.

Global Evolution does not have a license to hold or safeguard client money or assets. Neither does the Global Evolution business model allow for client orders.

Risk of Asset under Management (K-AUM) considers the risk of customers suffering loss as a result of incorrect discretionary management of client portfolios. This can be considered operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.

The Group has established an operational risk management framework and take all possible steps to understand the business’ exposure to risk arising out of failures in or lack of internal controls, operational processes or the systems that support them.

The aim of the operational risk management framework is to enable the Group to collect, assess, manage, and report operational risk efficiently and effectively. To mitigate operational risks, it is essential for the

Group to ensure segregation of duties, sufficient and appropriate controls and secure impartial investigation of operational breaches.

Furthermore, the attitude and approach of the Group's employees is crucial for good operational risk management. The Group aims to build a strong operational risk culture using awareness tools. The awareness approach should ensure that all employees have relevant and sufficient knowledge of operational risks related to their tasks and any precautionary measures necessary to prevent such risks from arising. This awareness should promote a culture where all errors are reported, where errors are tolerated but require learning from them. The Group promotes a culture which strives continuously to improve working processes with an awareness of the associated operational risks.

The following 3 methods are used to mitigate risk of operational risk incidents and to confront the losses, which may occur as a result of such events.

- 1. Controls:* Controls must be in place to prevent or detect material risk events. Implementation and improvements of controls should always be based on a risk assessment.
- 2. Disaster Recovery Plan:* A disaster recovery plan must be in place in accordance with the overall risk strategy and applicable regulatory and contractual obligations.
- 3. Insurance coverage:* Insurance coverage must be used to ensure appropriate coverage against extreme events. However, the Group may incur liabilities that are not covered by insurance as not all claims are insurable. Thus, there can be no assurance that the Group will not experience major incidents of a nature that are non-insurable.

### **Risk to Market**

Risk to Market covers net position risk and clearing margin given. Those risk only relate to positions in the trading book for an investment firm trading on own account either for itself or on behalf of clients. Global Evolution does not have a license to conduct such business, hence these risk categories are not relevant and will not be considered for the purpose of this report.

### **Risk to Firm**

Risk to Firm covers trading counterparty default, exposure value, replacement costs, potential future exposure, collateral, netting, credit valuation adjustment and daily trading flow.

As Global Evolution does not have permission according to annex 1, section A nr. 3. and 6 and does not take client orders, these risk categories are not relevant to Global Evolution, hence they are not considered for the purpose of this report.

### **Concentration risk**

Concentration risk is relevant to Global Evolution FMS. The Company is not exposed to concentration risk, as it is defined in the EU Investment Firm Regulation, due to the business model. Global Evolution FMS does not have a trading book.

### **Liquidity Risk**

The liquidity risk is the risk 1) that the cost to raise liquidity is disproportionately increased, 2) of not being able to continue the current business model due to lack of liquidity, and 3) of ultimately not being able to fulfill the payment obligations due to lack of financing.

To cater for Global Evolution FMS's liquidity risk the liquidity reserve must at all times be minimum 1/3 of the fixed cost requirements calculated in accordance with Article 13 of the EU Investment Firm Regulation.

The Company's potential liquidity impact of company specific or market wide stress must be assessed if the company's cash on demand is lower than 150% of the minimum liquidity reserve for more than one month. The Company should initiate relevant stress tests such as:

- Expected cash flow monthly for the next 12 months
- Expected financing over the next three years, if the Company has not sufficient funding.

Global Evolution Holding ApS ("GE Holding") and Global Evolution Financial ApS ("GE Financial") only activity is to own entities related to the asset management industry. No employees are employed in these entities except for Executive Management and Board of Directors. The COO/CFO must ensure that both companies hold sufficient liquidity to meet legal capital requirement and costs of running these entities.

The liquidity positions are monitored on an ongoing basis and reported monthly to the COO/CFO in the management report and quarterly to the Board of Directors. Any breaches of the liquidity risk policy must be reported to the Board in the following board meeting.

### **3. RISK STATEMENT**

It is the Board of Directors' assessment that the Groups risk management policies are sufficient in relation to the Group's strategy and risk profile.

The Board of Directors' assessment has been made on the basis of the business model / strategy, material and reports submitted to the Board of Directors by Executive Management and on the basis of any additional information or statements obtained by the Board of Directors.

### **4. RISK PROFILE AND RISK MANAGEMENT OBJECTIVE**

The overall business model for Global Evolution FMS is, within the companies' permission and legislation, to provide discretionary investment management services to professional institutional investors, meaning that it performs proprietary research for investment ideas, makes investment decisions, executes the trades with financial counterparties and facilitates the settlement of transactions. All client assets are kept with independent custodians, selected, and approved by the individual client. The only activity of GE Holding and GE Financial is to own shares in entities related to the asset management industry.

Due to the business model the risk the Group pose to others is generally low as well as the risks the Group is exposed to itself.

The Board of Directors has decided that the Company's overall risk tolerance is low. To keep risk at this level, the company must have sufficient risk mitigating measures in place, including identification, management, control, and reporting.

The Board's decided level of risk tolerance is managed by the set limits in each separate risk policy.

### **5. BOARD POSITIONS HELD BY BOARD MEMBERS**

See Appendix I.

### **6. DIVERSITY POLICY**

The Board of Directors has approved a policy to promote diversity in the Board in accordance with the LOV nr. 1155 af 08/06/2021 ("The Danish Investment Firm Act").

The Board of Directors has, upon recruitment of candidates for the Board of Directors, focus on attracting candidates with different competencies, backgrounds, knowledge, and resources that correspond to the business model and priorities now and in the future. These qualifications and competencies can be obtained based on the individual candidate's educational, professional, or personal experience.

The Board of Directors embraces diversity equity and inclusion (DEI) and has set a target of engaging 0-50% of the underrepresented gender, subject to the shareholder structure. The Board of Directors does a self-assessment annually of the composition of the Board members.

## 7. RISK COMMITTEE

Global Evolution FMS has not set down any risk committees in accordance with §80 of The Danish Investment Firm Act. The Company is exempted from this requirement as the value of capitalized- and off-balance sheet assets does not exceed the limit of an average of 100 million euro over a four-year period prior to financial year 2022.

## 8. BASE CAPITAL

The Board of Directors must assure that the capital requirement as set out in Article 11 of the EU Investment Firm Regulation and The Danish Investment Firm Act Section 120, are met at all times. All details of the base capital are published in the annual reports.

## 9. CAPITAL REQUIREMENT AND SUFFICIENT BASE CAPITAL

The Board of Directors must consider the individual solvency needs at least once a year, or when e.g., there are changes in strategy or societal conditions that may affect assumptions or methods that have been used so far, determining the Company's individual solvency needs. In determining the individual solvency need, it must be ensured that the Company has a sufficient capital base and has internal procedures for risk measurement and risk management for ongoing assessment, as well as maintaining a capital base of a size, type and distribution that is suitable for covering the Company's risks.

The current model for the individual solvency requirement is based on the sum of the annual estimate impact of the identified relevant risks multiplied by the likelihood of the individual risks to occur.

The solvency need is calculated and published in the annual reports.

## 10. REMUNURATION

The remuneration package consists of fixed remuneration – compensating employees on a monthly basis – in the form of a base salary and often with the addition of a pension benefit and one or more non-pay benefits. The remuneration package furthermore consists of the possibility of variable remuneration, primarily through the Company's variable remuneration scheme, however with due respect of set limitations.

The total remuneration for employees in the Company aims at honoring and encouraging a performance that creates long term value for the Company through results as well as behavior.

### Principles for Remuneration for the Board of Directors

The Board of Directors is compensated only with fixed remuneration, if any, and hence not with any form of variable remuneration.

Remuneration of members of the Board of Directors is set individually at a market competitive level that reflects the competencies and contribution provided in view of the complexity and the extent of the tasks and responsibilities.

### Criteria for receiving variable remuneration

It is only permitted to use forms of variable remuneration approved by the Board of Directors of the Company. Payment of any variable remuneration must be based on the following:

The various performance criteria must align the variable remuneration with sound and efficient risk management principles and must be designed in a way to avoid risk taking that exceeds the level of tolerated risk of the Company.

The various performance criteria must take into account the risks and the performance of the Company, the business unit/the company in which the employee is employed, and the employee. The performance criteria must consist of both financial (quantitative) and – in particular on the employee-level – non-financial (qualitative) performance criteria. To the extent possible, the performance criteria must include achievable objectives and measures on which the employee has some direct influence. No member of Global Evolution's staff can have any variable remuneration directly tied to any one product or portfolio.

A bonus awards is an acknowledgement on top of the competitive fixed compensation for an extraordinary performance that exceeds what is expected of the position.

The bonus awards are discretionary, without any guarantee and the determination will be based on factors like:

- The overall performance of the company
- The performance of the team – earnings, development and optimization
- The extraordinary individual effort and value creations, that is beyond of the normal expectations to a person in the respective position, including but not limited to:
  - Work effort – “go the extra mile”, including, but not exclusively committed time
  - Flexibility and availability
  - Positive can-do approach, supportive, solution oriented
  - Ability to deliver on time
  - Work quality
  - Value creating and/or cost saving initiatives, sales, portfolio performance, process strengthening/optimization to minimize risk etc.

The list is not complete nor comprehensive but is intended to give an indication of what is expected.

Negative non-financial performance in the form of unethical or non-compliant behavior must override any good financial performance generated by the Company, the business unit and the employee and, to the extent relevant considering the employee's position and responsibilities, the same must apply with regard to other non-financial performance criteria.

Payment of variable remuneration must generally be based and conditional on an assessment of the Company and the employing company's financial situation at the time of pay-out and may only be payable to the extent it does not compromise the financial stability of the Company.

Employees in controlling and audit functions, including compliance, risk management and any internal audit, may receive variable remuneration, however the variable remuneration may not be dependent on the result of the division the employee is controlling.

### **Principles for Remuneration for the Material Risk Takers**

The amount of any variable remuneration awarded to an employee considered as material risk taker must be subject to a maximum amount (a ceiling). This means that the amount of any variable remuneration award, calculated at the time of allotment after the end of the respective calendar year (accrual period), must not exceed a certain percentage of the total amount of the employee's fixed base salary including any pension benefits for the respective calendar year:

For the members of the Board of Directors and the members of Executive Management the percentage is 50.

For other employees considered material risk takers the percentage is 200.

Any variable remuneration awarded to a material risk taker must consist of components as described below, the value of which must be calculated at the time of allotment after the end of the respective calendar year.

A minimum of 50 % of the variable remuneration award must consist of a balance of instruments in the form of shares in the Company or a parent company, share-based instruments and/or similar instruments that reflect the credit worthiness of the Company.

For the members of Executive Management stock options or similar instruments may total no more than 12,5% of the fixed remuneration (including retirement benefits).

### **Deferral payment**

The payment of 60% of any variable remuneration awarded to a material risk taker must be deferred over a period as required by current legislation.

The deferral period must start one year after the time the non-deferred (up front) part of any variable remuneration award is calculated and paid out.

The deferred part of any variable remuneration award must be paid out pro rata on an annual basis calculated as of the date stated above. Thus, any deferred variable remuneration award must be paid out in four pro rata instalments when the deferral period is four years and in five pro rata instalments when the deferral period is five years.

The above applies to both the part of the variable remuneration award which, as stated above, must consist of one or more of various instruments and the part which consists of cash payment.

Payment of the deferred part of any variable remuneration award must be conditional on:

1. The performance criteria that formed the basis for the variable remuneration award is still fulfilled; and
2. The Company's financial situation has not been substantially weakened compared to the time when the variable remuneration award was fixed.

On payment of the part of any variable remuneration award which, as stated above, must consist of one or more of various instruments, the instrument must be subject to a retention period during which the employee is not entitled to transfer, assign, pledge or otherwise dispose of the employee's rights under the instrument. Employees receiving variable remuneration award consisting of the above-mentioned instruments may not hedge the risk of the instruments awarded.

An employee must be obliged to repay any part of a variable remuneration award already paid out if it was paid out on the basis of data which turn out to be falsified or misstated and the employee is in bad faith on such data. Further, a deferred variable remuneration award is conditional upon the employee not having been responsible for or having taken part in conduct resulting in significant losses for the Company and/or its shareholders and that the employee has proven to be fit and proper.

The Company must be entitled not to pay out any variable remuneration award if, at the time of payment of such award, Global Evolution Fondsmæglerselskab A/S does not comply with the capital or solvency requirements in the Danish Investment Firm Act; or the Danish Financial Supervisory Authority is of the assessment that there is a reasonable risk that the Company does not comply with these requirements.

### De minimis exemption

The above-mentioned requirements in sections partly payment of variable remuneration in non-cash instruments, deferral and retention of payment may be exempted from the requirements related to variable remuneration to employees who are determined to be material risk takers if the variable remuneration earned in a year is no more than DKK 100.000. It is the obligation of the Chief Executive Officer to document the individual considerations for each employee that that it is proper to make such exemption from the standard requirements, cf. the applicable rules.

For details of remuneration paid out in the financial year 2022, refer to Appendix II.

## 11. REPORTING

To ensure that the Board of Directors are informed of the development of the risks, The Board of Directors receive regular reports on the various types of risk. The Board of Directors are informed minimum on an annual basis about all risks.

## 12. REVIEW AND APPROVAL

This report is written and approved by the Board of Directors on an annual basis. The report is published on the same day as the annual financial statements.

Version	Approval Date	Made by	Approved by
1	22/03/2022	AMH/TS	BoD
2	16/03/2023	AMH	BoD



## APPENDIX I – Board positions held by Board Members

### Chair of the Board:

- Conning Holdings Limited
- Conning U.S. Holdings, Inc.
- Conning Holdings Corp.
- Conning & Company
- Conning, Inc.
- Conning Investment Products, Inc.
- Goodwin Capital Advisers, Inc.
- Octagon Credit Investors, LLC
- Conning Asset Management Limited
- Conning (Germany) GmbH
- Conning Asia Pacific Limited
- Global Evolution Holding ApS
- Global Evolution Financial ApS
- Global Evolution Fondsmæglerselskab A/S
- Global Evolution Manco S.A.

### Board member:

- Cathay Securities Investment Trust Co., Ltd.
- Cathay Securities Investment Consulting Co., Ltd.
- Worcester Polytechnic Institute – Board of Trustees
- The Greater Boston Food Bank – Member of the Emeriti Board (Honorary, non-governance position)

## Jung Won Lee

### Board member:

- Conning U.S. Holdings, Inc.
- Conning Holdings Corp.
- Conning & Company
- Conning, Inc.
- Conning Investment Products, Inc.
- Goodwin Capital Advisers, Inc.
- Octagon Credit Investors, LLC
- Conning Asset Management Limited
- Conning (Germany) GmbH
- Conning Asia Pacific Limited
- Conning Japan Limited
- Global Evolution Holding ApS
- Global Evolution Financial ApS
- Global Evolution Fondsmæglerselskab A/S

## Hans Christian Ohrt

Chair of the Board:

Liljegren A/S  
Thorsen A/S

Kate Acquisition ApS  
MM & Ten A/S  
Mos Mosh A/S

Board member:

Global Evolution Holding ApS  
Global Evolution Financial ApS  
Global Evolution Fondsmæglerselskab A/S  
Sønderjysk Forsikring G/S  
Sønderjysk Finans A/S  
Det Faglige Hus Forsikringsagentur A/S  
Luise Andresens Fond  
Andresen Invest A/S  
Speditør Andresens Mindefond  
Aktieselskabet Presenco  
Duralys A/S  
Kirk & Thorsen A/S  
Duralamp A/S  
Andersen Partners Advokatpartnerselskab  
Thorsen Ejendomme A/S

## Søren Rump

### Chair of the Board:

- AabyCity Holding ApS
- Rump Invest ApS
- HG 1820 ApS
- Komplementarselskabet Aabyen B ApS

### Board of management:

- Rump Invest ApS
- Rump Ejendomme ApS
- Komplementarselskabet Aabyen B ApS
- Ejendomsselskabet Aabyen B P/S
- HG 1820 ApS
- Rump Beleaeres Real Estate SL

### Board member:

- Global Evolution Holding ApS
- Global Evolution Financial ApS
- Global Evolution Fondsmæglerselskabet A/S
- Randers Byg A/S
- Torvehuset Aabyen I ApS
- Torvehuset Aabyen II APS
- Ejendomsselskabet Aabyen B P/S
- Off The Pitch ApS
- Komplementarselskabet Aabyen CI ApS
- Ejendomsselskabet Aabyen CI A/S

## Morten Bugge

### Chair of the Board:

- KIF Håndbold Invest A/S
- Rocket Padel Inevst ApS

### Board of management:

- Tulip Invest ApS
- Global Evolution Holding ApS
- Global Evolution Financial ApS
- Global Evolution Fondsmæglerselskab A/S
- EC Invest ApS
- Kaldyng Ejendomme ApS
- Rocket Padel Invest ApS
- Domu Invest ApS
- Carolina Evolucion S. L.

### Board member:

- Of The Pitch ApS
- Koldinghallerne A/S
- MONAC A/S
- KoldingVenue A/S
- We Love Fish ApS
- Global Evolution Fund Management Singapore Pte. Ltd.

## **Torben Schytt**

### **Board of management:**

Global Evolution Holding ApS  
Global Evolution Financial ApS  
Global Evolution Fondsmæglerselskab A/S

### **Board member:**

Global Evolution Manco S.A., Luxembourg  
Global Evolution Funds SICAV  
Global Evolution Fund Management Singapore Pte. Ltd

## APPENDIX II

Figures in t.DKK	Number of Employees	Salaries and remuneration accrued in income statement		Total granted bonus award 2022		Total earned cash bonus and granted restricted stock units previous years			
		Fixed compensation	Variable compensation	Total granted bonus award ****	RSU's	Total earned cash bonus and granted restricted stock units previous years paid or vested in 2022		Total earned cash bonus and granted restricted stock units previous years and 2022 - to paid out or vested in 2023 and subsequent years	
						Cash bonus	RSU's vested at Fair Market Value	Cash bonus	RSU's Fair market value 31.12.22
Linwood Earle Bradford Jr., Chair of the board		0	0	0	0	0	0	0	0
Jung Won Lee		0	0	0	0	0	0	0	0
Hans-Christian Ohrt		95	0	0	0	0	0	0	0
Søren Rump		0	0	0	0	0	0	0	0
<b>Board of directors</b>	<b>4</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Morgen Bugge		7.276	3.351	3.500	1.750	1.290	1.517	4.060	3.631
Søren Rump*		0	36	0	0	180	261	180	167
Torben Schytt		3.735	1.642	1.750	875	568	650	1.882	1.683
<b>Board of Management</b>	<b>2</b>	<b>11.011</b>	<b>5.029</b>	<b>5.250</b>	<b>2.625</b>	<b>2.038</b>	<b>2.427</b>	<b>6.122</b>	<b>5.481</b>
<b>Risktakers</b>	<b>11</b>	<b>20.771</b>	<b>22.755</b>	<b>22.490</b>	<b>11.120</b>	<b>10.665</b>	<b>12.674</b>	<b>29.396</b>	<b>25.519</b>
<b>Other staff**, ***</b>	<b>36</b>	<b>44.766</b>	<b>3.867</b>	<b>6.091</b>	<b>3.025</b>	<b>5.456</b>	<b>4.497</b>	<b>6.796</b>	<b>4.787</b>
<b>Total</b>	<b>53</b>	<b>76.633</b>	<b>31.651</b>	<b>33.831</b>	<b>16.770</b>	<b>18.161</b>	<b>19.999</b>	<b>42.314</b>	<b>35.787</b>

\* Resigned i 2019 and joined the board of directors.

\*\* Including four employees resigned or employment terminated

\*\*\* In the financial year, t.DKK 7.730 has been awarded and paid out to 5 employees in severance payments.

\*\*\*\* Total bonus 2022, deferred period 2023 - 2028.

There has not been made reductions to deferred remuneration due to vest in the financial year 2022 that is paid out during the financial year due to performance adjustments.



Global Evolution