Numis Europe Limited

Registered in the Republic of Ireland (registration No. 694628)
Regulated by the Central Bank of Ireland (firm reference code C470695)

Investment Firms Directive & Regulation (Pillar 3) Disclosures

For the year ended 30 September 2022

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Contents

1 Introduction

1.1 Disclosure requirements

This disclosures document is prepared in accordance with the Investment Firms Directive/ Investment Firms Regulation ("IFD"/"IFR"), which was transposed into Irish law on 26 June 2021.

IFD/IFR sets out the prudential requirements for investment firms which includes the assessment of risks and the determination of the amount of capital and liquid assets needed to manage those risks on an on-going basis.

This disclosure document is prepared and published to provide stakeholders and market participants with information on the governance arrangements, risk management objectives and policies, own funds resources and requirements, and the remuneration policies and practices within the firm.

1.2 Scope

Numis Europe Limited ("NEL" or "the Firm") is a MiFID investment firm, authorised by the Central Bank of Ireland ("CBI") (Firm Code C470695) to undertake the activities of, inter alia, underwriting and dealing on own account. IFD/IFR categorises investment firms depending on the size, nature, scale and complexity of their activities. NEL meets the definition of a non-small and non-interconnected firm (a "non-SNI firm"), which is not systemically important and therefore is categorised as a class 2 investment firm. As such it is required to make certain disclosures as set out in Part Six of IFR.

NEL is the European headquarters of the Numis group of companies (the "Group" or "Numis"). The Group structure of Numis legal entities is shown in section 2.1.

This document is prepared on a solo basis for NEL.

1.3 Basis, location and frequency of disclosure

NEL has an accounting reference date of 30 September and these disclosures are made as at 30 September 2022.

Disclosures are made annually on the same date as NEL publishes its annual financial statements. The disclosures in this document have been reviewed by senior management and approved by the NEL Board ("the Board"). The disclosures are not subject to audit and do not constitute any form of audited financial statement with the Company Registration Office.

The Board believes that the publication of this document, containing all required disclosure information, on the Numis Group website (www.numis.com) is the most appropriate medium and location.

Under Article 53 of IFR, investment firms which do not meet the criteria referred to in Article 32(4) of IFD shall disclose information on environmental, social and governance ("ESG") risks from 26 December 2022. NEL does meet the criteria in Article 32(4)(a) and therefore is not required to disclose information on ESG risks under Article 53 of IFR.

1.4 Corporate background

NEL provides secondary market execution and investment bank services to large, mid, and small cap corporate companies and their European Economic Area ("EEA") investors. The core business areas are:

- Equity Sales & Sales Trading
- Investment Banking
- Equity Research distribution

NEL received its MiFID authorisation on 30 June 2022, and began its trading activities on 1 September 2022.

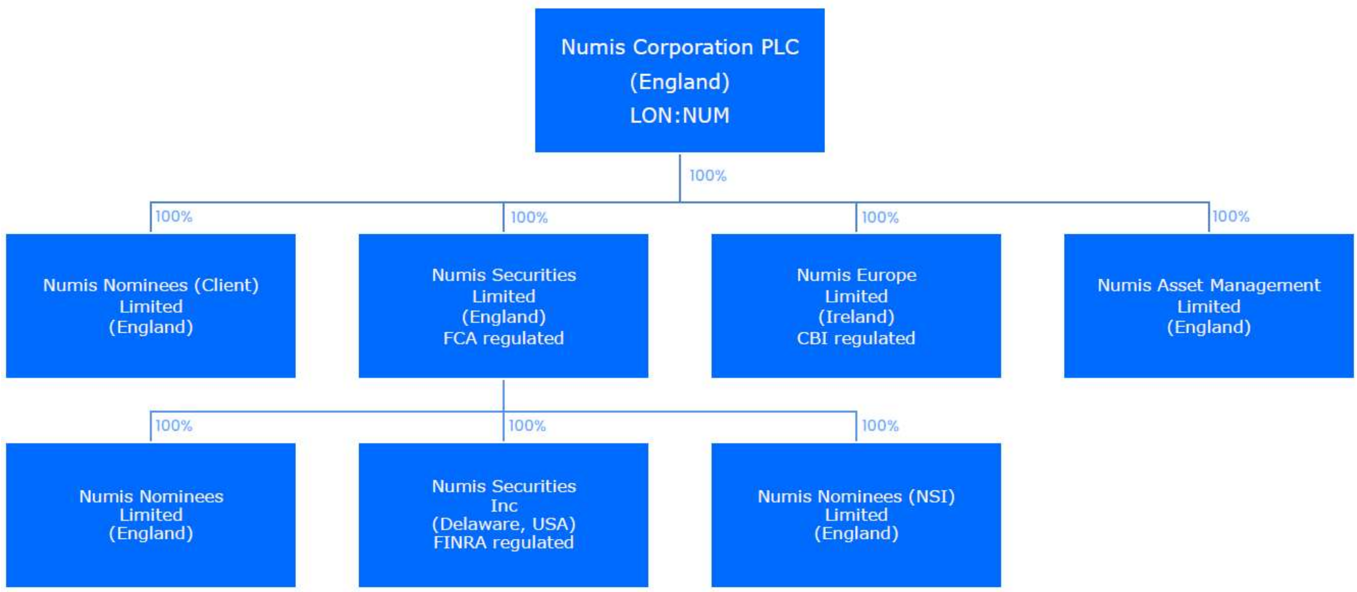
2 Governance

2.1 Legal structure

NEL is a wholly owned subsidiary of Numis Corporation PLC ("NCP"). NCP is the ultimate holding company of the Group and has ultimate responsibility for the overall management of the Group.

The legal structure of the Group as at 30 September 2022 is shown below.

NUMIS GROUP STRUCTURE



NEL was established and incorporated in Ireland in 2021 as a limited liability company and received a regulatory licence from the CBI on 30 June 2022. NEL has permission to deal on own account and undertake underwriting and as such it has a minimum initial capital requirement of €750k.

2.2 NEL Board and directorships

The Board is ultimately responsible for management of risks in the business. Its fundamental role is to set the tone and strategy, and to influence the culture of risk management within NEL to minimise harm to clients, to the Firm itself, and to the integrity of the financial system.

The Board is made up of five directors (as at the financial year end of 30 September 2022), of which two are Independent Non-Executive Directors ("INEDs"), one is a Group Non-Executive Director ("GNED"), and two are Executive Directors.

In total, the Board members hold 21 directorships between them, of which 16 are external directorships.

The Board is satisfied that each member of the management body is able to devote sufficient time to perform the duties relevant to their individual function within NEL, considering the nature, scale and complexity of the Firm's activities along with the requirements of directorships held outside the Firm.

The Board meets formally at least four times a year, and reviews its effectiveness at least annually.

Diversity policy for management body

NEL and NCP recognise the importance and benefits of having a diverse Board. The Nominations Committee of NCP is responsible for the recruitment process for the selection of members of the management body of all Group entities, including the members of the NEL Board.

The Nominations Committee seeks to ensure it remains an effective driver of diversity in the broadest sense, having regard to gender, ethnicity, background, skillset, and breadth of experience. Numis is committed to developing an environment which promotes equality of opportunity, values diversity, supports differences, and encourages input from all perspectives.

Full details of the composition of the Group committees, including the Nominations Committee, is provided on the Numis website (www.numis.com) under Investors/Board and Main Committees section.

2.3 NEL Board committees

The Board is the management body that is responsible for establishing and monitoring the effectiveness of the Firm's strategic direction and internal governance. The Board recognises the importance of good corporate governance and intends that best practice is adopted and applied. In turn, the Board has delegated certain responsibilities to committees and senior management within the Firm.

The Board has established the following committees to assist and advise it in fulfilling its oversight responsibilities:

- Risk and Compliance Committee
- Audit Committee

Risk and Compliance Committee

The Risk and Compliance Committee is chaired by the Group NED, and meets at least four times each year. It is responsible for exercising senior management oversight across all matters in relation to NEL risk management, internal controls, regulatory compliance, and the promotion of good conduct, including establishing the overall risk management framework, assessing, proposing and monitoring the risk appetite for NEL, monitoring progress of risk-related action plans, monitoring the risk universe for potential key emerging threats, and confirming that the risk capital requirement is adequate to cover the risks in the business.

The committee was established and held its first meeting on 6 October 2022, after the financial year end.

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Audit Committee

The Audit Committee is chaired by an INED and meets at least four times each year. Its primary function is to assist the Board in fulfilling its oversight of the integrity of the financial statements of the Firm, the compliance by the Firm with legal and regulatory requirements, the independent auditors qualifications and independence, and the performance of the Firm's internal audit function and independent auditors.

The committee was established and held its first meeting on 6 October 2022, after the financial year end.

Remuneration Committee

NEL is not required to establish its own remuneration committee as it meets the criteria set out in point (a) of Article 32(4) of IFD. Instead, the remit of the Group Remuneration Committee includes NEL. The members of the Remuneration Committee are Non-Executive Directors of the ultimate parent Numis Corporation Plc. ("NCP").

Full details of the composition of the Group committees, including the Remuneration Committee, is provided on the Numis website (www.numis.com) under Investors/Board and Main Committees section.

2.4 NEL management committees

NEL has also established the following operational management committees to ensure effective and prudent management of the Firm:

- Operational and Financial Risk Committee ("OFRC")
- New Business Committee ("NBC")
- Transaction Review Committee ("TRC")
- Transaction Risk Committee ("TRkC")
- Underwriting Committee ("UC")

OFRC

The OFRC meets monthly (or more frequently as it deems necessary) to consider and assess all significant financial and operational risk exposures faced by NEL. The committee's remit encompasses the methodology applied to identify, measure, and report the impact of such risks, the nature and frequency of operational risks, the level of excess capital, and the availability of liquidity to meet business needs. It also includes ensuring responsibilities and accountability for controls are clear and effective and, when residual risks exceed target levels, ensuring progress on action plans is carried out.

NBC

The NBC is responsible for oversight of all new corporate client relationships and mandates.

TRC

The TRC is responsible for considering a broad range of matters in respect of Investment Banking ("IB") transactions, and meets before NEL has significant public exposure or commitment.

TRkC

The TRkC is responsible for considering all forms of risk associated with IB transactions prior to launch or the issuing of a public document which contains NEL's name, and to discuss matters relating to NEL's reputation.

UC

The UC is responsible for considering all proposed underwriting commitments to be taken on by NEL, evaluating the risks and the associated mitigating actions of the proposed transaction.

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3 Risk management

3.1 Risk management profile and strategy

Effective risk management is key to the successful achievement of NEL's strategic objectives. The Firm's business model and strategy present inherent risks which must be assessed so that it can set policies to control them. The Firm has established a Risk Management Framework ("RMF"), including risk policies, which sets out its approach of strong risk governance, and how risks are identified, analysed, measured and managed in order to ensure that risk exposures are understood, limited, monitored and reported/escalated appropriately. The aim is to achieve NEL's performance and profitability targets with the best use of resources, whilst remaining within the defined risk appetite and protecting the Firm from an unacceptable level of financial volatility or adverse reputational impact. NEL does not intend to undertake any action which would put at risk the achievement of its strategic objectives, or cause harm to clients, the market or the Firm itself.

The RMF enables risk to be considered in a consistent way across all areas of the business, and is key to embedding an effective and strong risk culture which is central to the Firm's corporate governance and to achieving NEL's strategic objectives whilst remaining within its risk appetite.

The Firm sets its risk appetite across the entire population of risks by consideration of the inherent risks, the preventative and detective controls to mitigate those risks, and the assessment of whether the resulting residual risks are acceptable and meet its target levels considering the possible harm to clients, to the market, and to the Firm itself. The Firm monitors the risks which threaten the achievement of its strategy as well as those that present the greatest opportunity, and therefore NEL's risk appetite is intrinsically linked to the business strategy. Key performance indicators are used to measure and monitor the underlying performance of the business and also provide early warnings of emerging strategic risks.

The following diagram illustrates how the Firm's strategy, ICARAP, RMF and policies fit together.

3.2 Risk management objectives & policies

NEL operates a 'three lines of defence' risk governance model, where risk management, risk oversight and assurance are distinct activities that are carried out by different individuals, committees, and departments for any particular risk.

- 1st Line: Risk Management – the first line of defence consists of the business front line employees that understand their roles and responsibilities and carry them out correctly and completely. Notwithstanding management oversight, the effective control of risk within risk appetite depends upon all employees being conscientious and taking responsibility for their actions
- 2nd Line: Risk Oversight – the second line is the independent oversight by subject matter experts, the risk and compliance functions. They set and monitor policies, define work practices, and oversee the business front lines with respect to risk and compliance
- 3rd Line: Assurance – the third line of defence is internal and external auditors who regularly review both the business front lines and the oversight functions to ensure that they are carrying out their tasks to the required level of competency

Each line of defence has responsibility to step in to ensure that risk management systems, processes and controls are operating in line with the procedures, standards, and decision-making governance of the business. This approach is designed to guard against the materialisation of unwanted risks that exceed the Firm's risk appetite. The three lines of defence model enables each employee to do this in a way that is consistent with his or her specific role, responsibilities, and objectives. Management oversight and segregation of duties are fundamental to checking this first line of control.

Under IFD/IFR, NEL undertakes an Internal Capital Adequacy and Risk Assessment Process ("ICARAP"), which is approved by the Board and is integrated with the RMF. It documents NEL management's assessment of the risk profile of the business, the resulting capital and liquidity requirements, the adequacy of the capital and liquidity resources in relation to the Firm's risk profile, and the processes and reporting mechanisms established to ensure that the Firm can meet its minimum regulatory requirements at all times. Stress testing is incorporated to assess the Firm's exposure to extreme events and to ensure that appropriate management actions and mitigating plans are in place.

The internal risk assessment considers the impact of risks to the client, to the market and to the Firm itself, including concentration risk and liquidity risk.

Risk to Client ("RtC")

RtC captures the areas of the business for which the Firm could create harm to its clients. Under IFR, the K-factors which capture this consider the client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

NEL's clients consist of professional clients and eligible counterparties (mostly institutional clients) from across the EEA. NEL is not authorised to deal with retail clients and is not permitted to hold client assets. All client orders are executed on a riskless principal basis except on the occasion when NEL may bring together two or more client orders under the extended definition of receipt and transmission. Such executions are captured under K-COH which is calculated on a monthly basis by summing the buys and sells of such activity over the previous six months, excluding the most recent three months, and multiplying the result by a co-efficient of 0.1% (as NEL only offers execution services in equity and equity-like instruments).

All NEL clients are onboarded through a strong governance process. A business relationship will only be established or maintained where NEL has a reasonable belief that it knows the identity of the client through verification documents and information collected, in compliance with the Firm's own client due diligence requirements, and the 5th Anti-Money Laundering Directive ("AMLD5").

NEL has established policies and procedures in order to minimise any harm to its clients including an order execution policy which sets out its approach to execution of orders from professional clients; a complaints policy and procedures to ensure that any complaint raised by a client is dealt with professionally, promptly and courteously, and in accordance with regulatory requirements; and a conflicts of interest policy which sets out details of the techniques the Firm uses to identify, manage, and mitigate conflicts of interest. These factors combined provide assurance that the Firm has appropriate governance processes to ensure it acts in its clients' best interests.

Further details on these policies can be viewed on the Numis website (www.numis.com) under the Legal & Regulatory/ EU Legal & Regulatory section.

The Group's Operational Risk policy sets out the procedures and processes for identifying, assessing, monitoring and managing operational risks, including regulatory and conduct risks.

Risk to Market ("RtM")

RtM captures the risks that the Firm could pose to other market participants and the markets in which it operates for positions held in financial instruments, in foreign exchange and in commodities. Under IFR, the K-factors which capture this are K-NPR (Net Position Risk) and K-CMG (Clearing Margin Given). NEL calculates neither of these as it does not operate a trading book nor have positions subject to clearing. Furthermore the Firm does not have any exposure to commodity risk.

NEL has some limited non-trading book exposure to foreign exchange ("FX") risk as a result of receivables or payables in a currency other than its base currency (Euro). NEL has procedures in place to monitor this FX exposure on a daily basis, and to actively minimise its impact on the Firm.

The other potential market risk relates to underwriting. NEL has an Underwriting Committee which assesses all potential underwriting including the identification and management of associated risks. NEL does not enter into an underwriting transaction without having first established risk mitigants. Limits are set on the value of underwriting permitted at any one time.

Whilst a level of exposure to market risk is an inevitable consequence of the Firm's business activities, NEL maintains controls to manage this exposure and the impact of any associated volatility. The Group's Market Risk policy identifies the areas of RtM for NEL, and sets out how those risks are identified, assessed, monitored and managed to minimise impact.

Risk to Firm ("RtF")

RtF captures the risks an investment firm may pose to itself through its trading activities. Under IFR, the K-factors which capture this consider an investment firm's exposure to the default of its trading counterparties (K-TCD), concentration risk (K-CON), and operational risks from a firm's daily trading flow (K-DTF).

NEL generally executes its client orders on a back-to-back riskless principal basis (other than those done under the extended definition of receipt and transmission and captured under K-COH). Such executions are captured under K-DTF which is calculated on a monthly basis by summing the buys and sells of such activity over the previous nine months, excluding the most recent three months, and multiplying the result by a co-efficient of 0.1% (as NEL only offers execution services in equity and equity-like instruments).

The Firm is exposed to credit risk through the default of a counterparty prior to settlement, and also on other receivables. NEL does not trade on its own account, and all settlement is done on a Delivery versus Payment ("DvP") basis, which limits its exposure.

All NEL clients are onboarded through a strong governance process, which includes an assessment of perceived creditworthiness. Credit limits are applied to each trading client, and are monitored and reported on a daily basis by the OFRC. The majority of NEL's clients are regulated, institutional entities. Unsettled positions are actively managed and prioritised accordingly. The client base is from across the EEA, which provides a geographical spread.

For other receivables, expected credit loss is usually very low due to the nature of the counterparties and the short-term nature of the receivables. Nonetheless, the Firm has robust provisioning procedures in place to monitor and manage such exposures to minimise impact.

The Group's Credit Risk policy sets out the criteria for assessing creditworthiness and applying relevant credit limits, as well as the provisioning procedures, and the general procedures for identifying, assessing, monitoring and managing such risks.

Liquidity Risk

Liquidity risk is the risk that funds are either not available to meet day-to-day funding requirements or are only available at a high cost or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous. Liquidity is of vital importance to the Firm to enable it to continue operating in even the most adverse circumstances. The Firm monitors its liquidity levels in order to ensure that it can at all times meet its day-to-day funding requirements as well as continuously meeting the minimum liquid assets regulatory requirement (one third of its fixed overhead requirement). The Firm has established indicators to alert when liquidity levels may be deteriorating to a level which could result in a liquidity shortfall. Monitoring and escalation procedures have been established accordingly.

The Firm's procedures for identifying, assessing, monitoring and managing its liquidity risks and levels of liquidity are set out in the Group Liquidity Risk Policy and the Firm's ICARAP.

Concentration Risk

Concentration risk is an investment firm's exposure to a client or group of connected clients. The Firm assesses and monitors its exposure to concentration risk in terms of geography, liquidity, clients and sources of revenue.

NEL does not calculate a K-CON but does monitor and manage its concentration risk in accordance with IFR, and as part of its ICARAP, assessing whether additional capital should be held against these risks. The Firm has a strategy to diversify its client and revenue base, and also its sources of liquidity in order to reduce its concentration risks. The analyses and monitoring of these risks and the mitigating factors are described in the Group's Credit and Liquidity Risk policies, and the Firm's ICARAP.

The Firm does not have significant concentration risks in terms of sectorial, geographic, or other concentrations.

4 Own Funds and requirements

4.1 Composition of regulatory Own Funds

NEL's capital resources are comprised solely of Common Equity Tier 1 ("CET1") capital. NEL's CET1 includes ordinary share capital, capital contributions and retained earnings less intangible assets, losses for the current year, and deferred tax assets. The annual external financial audit for the year ended 30 September 2022 was completed by PwC in December 2022. The regulatory capital resources calculation is shown in the table below.

Since receiving its authorisation on 30 June 2022, NEL has continuously complied with the regulatory capital requirements.

Template EU IF CC1.01 – Composition of Regulatory Own Funds (investment firms other than SNI)

		(a)	(b)
	Item	**Amounts €'000**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**4,255**	Sum of row 2 + row 40
2	**TIER 1 CAPITAL**	4,255	Sum of row 3 + row 28
3	**COMMON EQUITY TIER 1 CAPITAL**	4,255	Sum of rows 4 – 12 and row 27
4	Fully paid up capital instruments	500	Template EU ICC2 Shareholders' equity row 1 column a
5	Share premium	-	
6	Retained earnings	(3,058)	Template EU ICC2 Shareholders' equity row 3 column a
7	Accumulated other comprehensive income	-	
8	Other reserves	7,216	Template EU ICC2 Shareholders' equity row 2 column a + row 4 column a
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-	
11	Other funds	-	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(403)	Sum of row 13 + rows 17 -26
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(403)	Template EU ICC2 Assets row 2 column a

21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	-	
28	**ADDITIONAL TIER 1 CAPITAL**	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment	-	
38	(-) Other deductions	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	**TIER 2 CAPITAL**	-	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the investment firm has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

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4.2 Reconciliation of Own Funds to balance sheet in the audited financial statements

The table below shows a reconciliation of regulatory own funds to the balance sheet in the audited financial statements of the Firm.

Template EU ICC2 –Own Funds reconciliation with audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to EU IF CC1.01**
		As at 30 Sep 2022	**As at 30 Sep 2022**	
		€'000	**€'000**	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
1	Tangible assets	65	No difference in accounting and regulatory treatment	
2	Deferred tax asset	403	As above	Template EU IF CC1 row 20 column a
3	Debtors: amounts falling due within one year	5,279	As above	
4	Cash at bank and in hand	5,313	As above	
30/09/2022	**Total Assets**	11,060	As above	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements				
1	Creditors: amounts falling due within one year	6,403	As above	
30/09/2022	**Total Liabilities**	6,403	As above	
Shareholders' equity				
1	Ordinary share capital	500	As above	Template EU IF CC1 row 4 column a
2	Capital contributions	7,000	As above	Template EU IF CC1 row 8 column a
3	Retained earnings	(3,058)	As above	Template EU IF CC1 row 6 column a
4	Employee share plans charges	216	As above	Template EU IF CC1 row 8 column a
30/09/2022	**Total Shareholders' equity**	4,657	As above	

NEL does not issue any instruments.

4.3 Own Funds requirements

K-Factor Requirement and Fixed Overheads Requirement

Item		Amount €'000
K-Factor	RtC = K-AUM + K-CMH + K-ASA + K-COH	0
	RtM = K-NPR or K-CMG	-
	RtF = K-TCD + K-DTF + K-CON	20
Fixed Overheads Requirement (FOR)		1,419

K-factors: As NEL has been handling client orders for less than six months and has had a daily trading flow for less than nine months, the K-factors are determined based on the business projections of the Firm submitted with its application for authorisation. A detailed breakdown of the calculation is provided in the Appendix.

FOR: NEL's Fixed Overheads Requirement ("FOR") as determined in accordance with Article 13 of IFR is €1,419k. As NEL has been in business for less than one year, the calculation of its FOR is based on the fixed overheads amount included in its projections for the first 12 months' of trading as submitted with its application for authorisation.

4.4 Summary of approach to assess adequacy of own funds

NEL assesses the adequacy of its own funds and liquidity in order to ensure that it at all times complies with its minimum requirements under IFD/IFR. The Firm's approach to this is set out in its ICARAP document. This process has been embedded within NEL's governance arrangements and has been approved by the Board. Ongoing monitoring of risk levels, risk appetite, stress test results and relevant indicators is performed throughout the year to ensure that the Firm continues to meet its regulatory requirements. As a class 2 investment firm, NEL's Pillar 1 (own funds requirement) is determined as the higher of its FOR, permanent minimum capital requirement and K-factor requirement. The Firm also undertakes an internal risk assessment which considers material sources and effects of risk to clients, to the markets and to the Firm itself, as well as other risks, in order to determine if the Pillar 1 amount sufficiently covers the risks identified. The details of this analysis, the process and the conclusions are set out in the ICARAP.

The ICARAP document therefore (i) sets out NEL's business model and strategy, (ii) shows how the Firm identifies vulnerabilities and manages them with appropriate systems, processes and controls to reduce potential material harms, (iii) assesses the level of capital and liquidity required to meet the residual risks, and (iv) analyses how its capital and liquidity levels would be affected under stressed scenarios to ensure NEL's financial resources are adequate for ongoing activities or to enable an orderly wind-down. In addition, it summarises the process and costs of winding down the business in the least disruptive manner to clients and the market, without threatening the integrity of the wider Irish financial system or that of any market in which the Firm operates.

The ICARAP is updated on an annual basis, or more frequently if risks, risk assessments and/or assumptions significantly change, or there is a material change in the Firm's business or the environment it operates in. NEL's initial ICARAP document was completed using 30 September 2022 financial year-end figures after the external audit by PWC was completed in December 2022.

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5 Remuneration policy and practices

5.1 Identified Staff

NEL is required to disclose certain information relating to its remuneration policy and practices, for those staff whose professional activities have a material impact on the firm's risk profile, known as "Identified Staff". This includes Board members, staff engaged in control functions, staff responsible for managing a material risk, and other staff who receive total remuneration that is at least equal to the lowest remuneration of all other Identified Staff, in accordance with the EBA Guidelines on sound remuneration policies under Directive 2019/2034 (IFD) (EBA/GL/2021/13 – "guidelines") and Commission Delegated Regulation (EU) 2021/2154.

Derogation

The Firm avails of the derogation under Article 32(4)(a) of IFD as the value of its on and off-balance sheet assets is on average less than €100m, and as such it waives the need to pay variable compensation in non-cash instruments and to defer payment for a period of more than three years for all Identified Staff. Details of the total remuneration for these staff is contained in section 5.3.

5.2 Qualitative disclosure

Governance

The Group Remuneration Committee is responsible for setting and overseeing the implementation of remuneration policies and principles for all Group entities, including the approach to both fixed and variable remuneration.

Numis ensures that promotion and reward is based on merit regardless of gender, ethnicity, or other issues. As part of this, the Remuneration Committee monitors overall remuneration levels to ensure that pay is awarded in a gender-neutral way.

The remit of the committee includes:

- considering the appropriateness of remuneration payments taking into account the risk profile, long term objectives and goals of the Group
- reviewing the process to determine Identified Staff, and reviewing the list of those identified
- ensuring that the Remuneration Policy complies with applicable regulation and legislation, including IFD and IFR

The Board is responsible for adopting the Remuneration Policy, overseeing its implementation in NEL, and ensuring that it is aligned with the Firm's overall corporate governance framework, risk culture and appetite.

In taking any decision in relation to awarding employees variable remuneration, the Firm considers individual performance, business unit and Firm results, and input from the HR, Risk, and Compliance functions. In its evaluation, the Remuneration Committee considers current and future risks, including: reputational and operational risks facing the Group, incorporating environmental, social and governance risks; financial risks including capital and liquidity resources; conflicts of interest; and a forward-looking assessment of the Group's prospects, incorporating the expected economic and competitive environment. The Remuneration Committee is specifically responsible for approving all recommended awards to Board members and all Identified Staff, including the heads of risk and compliance, in order to avoid any conflicts of interest.

This approach ensures that remuneration awarded is consistent with and promotes sound and effective risk management and good conduct, and is aligned with the interests of the Firm's shareholder. It also ensures that the Firm operates within its risk appetite and regulatory framework.

Periodically, the Firm's internal audit function carries out an independent review of the design, implementation, and effects the Remuneration Policy has on the Firm's risk profile.

Remuneration system

Numis has established a remuneration framework which has been designed to create a direct link between reward and performance on a gender-neutral basis. Within this, the Remuneration Policy has been designed to apply equally across the Group to ensure a performance and conduct-led remuneration system that:

- is flexible and sustainable throughout the business cycle
- ensures remuneration payments are appropriate and proportionate considering the risk profile, long term objectives and goals of the Group
- is in compliance with applicable regulations and legislation

This is complemented by performance review and remuneration practices which:

- provide a stringent governance structure for setting and communicating goals
- include both financial and non-financial goals in goal setting and performance evaluation
- consider individual conduct including compliance with regulatory requirements and internal procedures, and the Firm's risk appetite and policies
- rewards employees with appropriate incentives in a manner that is compatible with a prudent risk-taking approach

Criteria for setting individual remuneration

The Firm recognises that the individual performance of Identified Staff is key to achieving its long-term strategy and delivering sustained and long-term value creation for its shareholder. The intention of the Remuneration Policy is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Firm and its shareholder.

When determining remuneration at an individual level, the following is considered:

- Fixed remuneration - the role and responsibilities of the employee (which may include services on the Firm's Board or any sub-committees of such Board), including their relevant professional experience, professional qualifications, skills and competencies, seniority, individual performance, comparison with peer companies, and local market conditions. The level of fixed pay is designed to be sufficient, so that inappropriate risk-taking is discouraged.

- Variable remuneration – the performance of the individual, their business unit, the Firm, and the Group as a whole. This component is designed to motivate and reward high performers and generate shareholder value. Performance-based remuneration reflects sustainable, and risk adjusted performance as well as performance in excess of that required to fulfil the particular duties of the role. For staff in control functions, the assessment of their individual allocations is based exclusively on non-financial criteria.

Variable performance-based pay is always granted at the sole discretion of the Board, and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board or Remuneration Committee see fit.

Guaranteed variable remuneration is not generally a component of performance-based remuneration, although in exceptional cases in the first year of employment it may be rewarded, and only where the Firm has a sound and strong capital base.

Remuneration pool criteria

The performance-based remuneration pool is designed to align with the business strategy, objectives, and long-term interests of Numis. Taken into account is the need to deliver a sustainable level of variable performance related remuneration over the business cycle. The approach is to calculate the variable performance-related remuneration pool as a percentage of Group Profit before share-based compensation, bonus, and taxation ("PBBT"). This is then subject to review and approval by the Remuneration Committee who has the authority to make changes to this percentage as it deems appropriate.

The resulting compensation ratio (total staff compensation including share-based payments as a percentage of revenue) is a further reference to ensure the bonus pool is appropriate.

Sustainability of financial position for the Firm is also an input variable into the performance-based remuneration pool, particularly availability of adequate resources to maintain a sound regulatory capital base and sufficient liquidity planning requirements.

The Board makes the final decision on the funds to be allocated to the performance-based remuneration pool in accordance with the Remuneration Policy and taking into account the recommendation of the Remuneration Committee.

Performance measurement criteria

All employees are subject to an annual performance review process where senior management assess individual performance against:

- weighted performance objectives previously set and agreed which are specific to the employee's role
- personal competencies set against Numis corporate values.

The performance management assessment is run over a multi-year period and takes prior performance into account when deciding on an employee's overall grade.

Once completed, the recommendation on an employee's variable remuneration amount is aggregated into the overall variable performance pool, reviewed by HR, and presented to the

Remuneration Committee for consideration. The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned, and the overall results of the Firm and the Group.

All employees recommended to receive an award are subject to an additional conduct assessment.

Ex ante and ex post risk adjustments

The Firm can make a risk adjustment to variable remuneration to take account of a specific crystallised risk or adverse performance outcome including those relating to misconduct and/or a breach. Risk adjustments include reducing current year variable remuneration and the application of malus and clawback.

Employees may be subject to malus or clawback of up to 100% of variable remuneration where:

- there is evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules or policies, especially concerning risks)
- they exhibit behaviour that compromises the reputation of, or causes material harm to Numis, or its business activities, irrespective of whether it is in direct contravention of a specific policy
- Numis and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators)
- the Firm and/or the business unit in which the Identified Staff member works suffers a significant failure of risk management
- there is a significant increase in the Firm's or business unit's economic or regulatory capital base
- regulatory sanctions are imposed, e.g. punitive, administrative, disciplinary, or otherwise, where the conduct of the Identified Staff member contributed to the sanction

Ratio of fixed remuneration to variable remuneration

In order to avoid excessive risk taking, Numis has set a maximum level of the ratio between the fixed and variable components of remuneration whereby the overall level of the variable component shall not exceed 200% of the fixed component for each Identified Staff member.

5.3 Quantitative disclosure

Aggregate information on remuneration for Identified Staff

For the year ended 30 September 2022, seven staff were identified as having a material impact on the risk profile of the Firm.

Aggregated remuneration metrics for these staff were as follows:

Item	**€'000**
Fixed Remuneration	596
Variable Remuneration - Cash	370
Guaranteed Variable Remuneration	-
Severance Payments	-
Outstanding Deferred Remuneration -	

Vested in 2022	-
Unvested	315

Fixed remuneration includes base salary and pension contributions by NEL, and, in the case of NEL non-executive directors, any base fee paid by the Firm in respect of services provided during the year.

Variable remuneration comprises cash bonuses awarded in respect of performance during the year. These were paid in December 2022.

No guaranteed or severance payments were made in respect of service or performance during the year.

Unvested deferred remuneration relates to equity in NCP, granted to certain Identified Staff on joining, as compensation for remuneration waived from previous employment. These grants are subject to claw backs if the Identified Staff leave the Firm within two years from date of joining.

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Appendix

The following table sets out the Firm's K-factor requirements as per 30 September 2022.

		Factor amount	K-factor requirement
Rows	**Item**	**010**	**020**
0010	**TOTAL K-FACTOR REQUIREMENT**		20
0020	**Risk to client**		-
0030	Assets under management	-	-
0040	Client money held - Segregated	-	-
0050	Client money held - Non-segregated	-	-
0060	Assets safeguarded and administered	-	-
0070	Client orders handled - Cash trades	-	-
0080	Client orders handled - Derivatives trades	-	-
0090	**Risk to market**		-
0100	K-Net positions risk requirement		-
0110	Clearing margin given		-
0120	**Risk to firm**		20
0130	Trading counterparty default		-
0140	Daily trading flow - Cash trades	20,059	20
0150	Daily trading flow - Derivative trades	-	-
0160	K-Concentration risk requirement		-