

Remuneration policy

1 Overview

This document is designed to set the parameters for Black Pearl's remuneration policy and to ensure a consistency of approach in recruiting and retaining employees who will be engaged, appraised, trained and motivated to play a key part in the firm's culture of treating their customers fairly.

1.1 Objectives

This Policy statement aims to:

- Ensure that the firm's remuneration policy is in line with its business strategy, objectives, values and long term interests
- Ensure that a consistent approach is taken to attract, develop, retain and reward employees for contributing to Black Pearl's success, whilst maintaining financial stability and robust and effective risk management Act as an aide-memoire for the relevant points to be covered
- Maintain the relevance of the policy by ensuring that reviews are carried out by the Board/Directors/Partners at predetermined frequencies

1.2 Remuneration Code Principles

The firm is aware of the FCA's Remuneration Code incorporating 12 principles and this policy sets out how it will act in accordance with them.

The firm has maintained a record of all employees to whom the Remuneration Code applies and it has taken steps to ensure that all employees to whom the Code applies understand the implications of their status and the potential for any remuneration that does not comply with the Code to be rendered void and recoverable by the firm.

1.3 Related Documents/Policies

- Management of Risk Framework
- Compliance Manual Conflicts of
- Interest Policy Personal Account
- Dealing Policy Treating
- Customers Fairly Policy
- Contracts of Employment
- Risk Policy

2 Risk Appetite and tolerance

The firm has assessed its risk appetite and annually and this is documented in the Risk Policy which is available to all employees. Operating within the scope of the firm's risk appetite is an absolute pre-requisite to the award of any variable, incentive or performance related compensation.

Non-compliance or actions contrary to the stated risk appetite will not be rewarded.

Operating within the stated risk appetite is realised in practice through the firm's Management of Risk Framework (MoRF) and Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP is approved annually by Black Pearl's Board of Directors.

Included in the MoRF and ICAAP, and considered in the awarding of variable compensation and commission are:

- Key risk indicators ("KRIs") and tolerances set by the CEO and assigned to business units and 'Identified Staff'. KRIs are defined and measured annually in employee annual appraisals and reviewed on a six monthly basis;
- Clear risk objectives and the ongoing monitoring and supervision of performance for every employee;
- Compliance by all employees to the practices set out in the MoRF

3 Conflicts of Interest

The firm ensures that this remuneration policy includes measures to avoid conflicts of interests. To demonstrate this, the variable compensation is not correlated to business performance. Instead the functions' variable compensation is determined by the performance of the individual and the function against objectives set for each.

This policy recognises that conflicts can arise where employees are responsible for determining the remuneration of their own business areas, however the scale of the firm means that this may be unavoidable. The CEO will be responsible for determining all remuneration packages across the company with approval for their own remuneration sought from other senior managers.

4 Policy Statement

4.1 Scope

This policy applies to senior management and the categories of staff who would be considered to be risk takers, those engaged in control functions, those who receive remuneration packages that are aligned with those received by senior management and those whose professional activities have a material scope on Black Pearl's risk profile.

4.1.1 Staff Categories and business lines

The scale of the Firm means that employees who hold control functions are not always independent from the business units that they oversee however they have the appropriate authority to take action where necessary. The firm has ensured that remuneration packages for control function employees are adequate to ensure that the quality and experienced staff are attracted and that the package is dependent on the achievement of the firm's objectives and the objectives linked to the business areas that they control.

4.1.2 Basic Salary

Basic salary compensation is generally based upon the employee's individual expertise, professional experience and organisational responsibility as set out by their job description and terms of employment.

All salary bandings for all roles are currently determined by the CEO. As the Firm grows then this responsibility for recommending the appropriate salary bands may be moved to a different independent function within the Firm.

4.1.3 Variable Compensation

In addition to an employee's salary, they may be eligible to participate in the firm's variable compensation programme. These payments where applicable will reflect their performance should it be in excess of that required to fulfil their job description and terms of employment.

The firm will not be awarding any variable remuneration that consist of shares or equivalent ownership interests at this time as the CEO has determined that the size and scale of the firm doesnot currently allow for such a strategy. As the firm grows, should it become appropriate to do so then such a scheme will be implemented.

A proportion of the variable remuneration component is not currently being deferred. Black Pearl is aware that the requirement is that at least 40% should be deferred for a period of no less than 3 years, however at this stage of development the CEO has determined that there are sufficient controls in place due to the STP nature of the firm reducing the risks of employees creating poor consumer outcomes or increasing the firm's risk profile or financial resources. This will be reviewed as the firm grows.

The Firm currently awards commission (generally at a rate of 15% of the value of the business acquired) The payment will only be made where it is sustainable to the firm's overall financial situation and taking into account any known future events, the performance of the firm, the business unit and the employee.

The payment will also be subject to a clawback for a period of at least 7 years from the date on which it was awarded. The employee will only be subject to a clawback in the event that they participated in or were responsible for the poor conduct which resulted in significant losses for the firm or where it was subsequently found that they failed to meet appropriate standards of fitness and propriety.

4.1.4 Performance Based Measurements

In addition to an employee's basic salary, they may also be eligible to benefit from a variable compensation programme. The firm has ensured that any measurement of performance used to calculate such remuneration takes into account all types of current and future risks as well as the cost and quantity of the capital and liquidity required. The firm has also taken into account the need for consistency with the timing and likelihood of future potential revenues incorporated into current earnings.

The firm takes into account the quality of business undertaken and services provided when assessing the performance of relevant employees.

The firm has determined that the following criteria to determine such payments will include but not be limited to (depending on the role undertaken);

- Individual performance against objectives
- Company performance
- Volume of business generated by employee

Where assessments of financial performance are used to calculate variable remuneration components, these will be principally based on profits, where these have been adjusted for current and future risks.

The firm takes into account the quality of business undertaken and services provided when assessing the performance of relevant employees.

4.1.5 Benefits

Black Pearl currently offers additional incentives in the form of paid leave to all staff.

4.1.6 Pension Policy

The firm does not currently offer a pension policy to its employees. When the auto enrolment date arrives, the firm will have a workplace pension scheme in place to which it will contribute. This is not anticipated to be in place until 1 April 2017.

All employees will be encouraged to invest in a pension for their future retirement.

4.1.7 Remuneration and Capital

The firm has implemented remuneration arrangements that are sufficiently flexible to allow for necessary resources being directed towards strengthening the capital base if required.

4.1.8 Personal Investment Strategies

Employees are made aware that they may not use personal hedging strategies or liability related contracts of insurance to undermine the risk alignment effects embedded into the firm's remuneration arrangements.

4.1.9 Early Termination

The firm has reviewed all existing contracts to ensure that any early termination payments will be payable only where they are consistent with the Remuneration Code.

This policy ensures that any payments made reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

4.2 Authorities and Ownership

This policy is owned by the CEO and is distributed to all staff within the firm. The CEO is responsible for the preparation of any decisions regarding remuneration and will take into account the long term interests of shareholders, investors and other stakeholders as well as public interest were relevant.

4.3 Policy Development, approval and implementation process

The Directors are responsible for ensuring the policy is periodically reviewed and properly implemented.

The policy is communicated to customers through the website as required.

4.4 Reporting breaches

The Remuneration Codes does not contain any particular notification requirements however, the FCA would expect to be informed where significant breaches of the Code occur and where any policies, procedures or practices would have

a significant adverse impact on the firm's reputation, services to clients or financial consequences to the firm or other firms.

4.5 Document Review Cycle

The firm's Board of Directors will independently review the remuneration policy on an annual basis to ensure:

- The policy operates as intended, that remuneration pay-outs are appropriate, and that the risk profile, long term objectives and goals of the firm are adequately reflected
- The policy remains in line with the Financial Conduct Authority's requirements, principals and standards including the continued application of proportion

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