

## **RISK MANAGEMENT (PILLAR III) DISCLOSURES (SOLO AND CONSOLIDATED)**

SCOPE MARKETS is the brand name used by SM Capital Markets Ltd, a company registered in Cyprus under registered number: HE 346068 and registered address Gladstonos, 116, M. Kyprianou House, 3&4<sup>th</sup> Floor 3032, Limassol, Cyprus. SM Capital Markets Ltd is authorized and regulated by the Cyprus Securities and Exchange Commission (License Number: 339/17) as a Cypriot Investment Firm.

**YEAR ENDED 31 DECEMBER 2021  
JUNE 2022**

## Contents

<b>Definitions:</b> .....	<b>4</b>
<b>Corporate Information</b> .....	<b>4</b>
Investment Services: .....	4
Ancillary Services: .....	4
<b>Pillar III Regulatory Framework</b> .....	<b>5</b>
Non-Material, Proprietary or Confidential Information .....	7
<b>Operating Environment and Covid-19</b> .....	<b>7</b>
<b>Post-Reporting Period Events</b> .....	<b>8</b>
<b>Corporate Governance</b> .....	<b>8</b>
Diagram of Organizational Structure .....	8
Board of Directors .....	9
Product Governance and Risk Management Committee .....	10
<b>Risk Management Function:</b> .....	<b>11</b>
Compliance Function: .....	11
Anti-Money Laundering Compliance Officer.....	11
Internal Audit Function:.....	12
Number of Directorships held by members of the Board .....	13
Diversity Policy .....	14
Product Governance and Risk Management Committee .....	15
Remuneration.....	16
<b>Board of Directors Declaration</b> .....	Error! Bookmark not defined.
<b>Regulatory Supervision</b> .....	Error! Bookmark not defined.
<b>Risk Management</b> .....	<b>18</b>
Risk Management Framework and Governance.....	18
Risk Management Process .....	19
Step 1 – Set Strategy/Objectives.....	20
Step 2 – Risk Identification.....	20
Step 3 – Risk Assessment .....	21
Step 4 – Risk Response.....	21
Step 5 – Risk Control .....	21
Step 6 – Communicate and Monitor.....	22
Risk Appetite .....	23
Internal Capital Adequacy and Risk Assessment Process .....	23
Own Funds Requirements.....	24
K Factor Requirement .....	31
Fixed Overhead Requirement .....	31
Risk to Client .....	33

Client Money Held - Segregated .....	34
Assets Safeguarded and Administered .....	35
Risk to Market .....	35
Risk to Firm .....	36
Daily Trading Flow .....	37
K-Concentration Risk.....	37
<b>Liquidity Risk and Requirement.....</b>	<b>39</b>
<b>Residual and Other Risks and Mitigating Controls.....</b>	<b>40</b>
Credit risk .....	41
Market Risk .....	41
Market Risk-Exposure by class .....	42
Operational Risk.....	42
<b>Other Risks not covered in Pillar III .....</b>	<b>43</b>
Strategic Risk .....	43
Reputation Risk .....	43
Business Risk .....	43
Capital Risk .....	44
Regulatory Risk.....	44
Legal and Compliance Risk .....	45
Concentration Risk .....	45
Information technology Risk .....	45
<b>INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS .....</b>	<b>46</b>
<b>Remuneration .....</b>	<b>47</b>
<b>INVESTMENT POLICY .....</b>	<b>Error! Bookmark not defined.</b>

## Definitions:

1. SM Capital Markets Ltd: the “Company”,
2. Cyprus Securities and Exchange Commission: “CySEC”
3. DI144-2014-14 and DI144-2014-15 of the Cyprus Securities and Exchange Commission and Regulation 575/2013 (“the Regulation or “CRR”) and Directive 2013/36/EU of European Commission for the Prudential Supervision and Capital Requirements of Investment Firms (the “Directive”).
4. Frequency: The Company will be making these disclosures annually.
5. Media and Location: The disclosure will be published on our website: [www.scopemarkets.eu](http://www.scopemarkets.eu) .
6. Scope of report: The disclosures are in accordance to the audited financial statements of the Company for the year ended 31 December 2020. The information contained in the Pillar III Market Discipline and Disclosure report is verified by the Firm's external auditors.

## Corporate Information

SM Capital Markets Ltd is a Company registered in Cyprus under registration number HE346068 and LEI Code 549300SS5YL3DNCPHI21. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (License Number 339/17). The registered address of the Company is Gladstonos, 116 M. Kyprianou House, 3&4th Floor 3032, Limassol, Cyprus.

The Company operated under the brand name of Scope Markets. The Company has the license to provide the following investment and ancillary services:

### Investment Services:

- a. Reception and transmission of orders in relation to one or more financial instruments
- b. Execution of Orders on Behalf of Clients

### Ancillary Services:

- a. Safekeeping and administration of financial instruments for the account of

clients, including custodianship and related services such as cash/collateral management

- b. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- c. Foreign exchange services where these are connected to the provision of investment services

The Company established a subsidiary entity in Kenya during the year 2019, therefore the Company falls under the consolidated supervision in regards to the Capital Adequacy Requirements Pillar III is prepared on a solo basis as the company reports on solo basis for the Annual Audited Financial Statements.

## Pillar III Regulatory Framework

The Disclosures have been prepared in accordance with the following:

Part Six of Investment Firms Regulation (EU) 2019/2033 ('IFR') known as the new prudential requirements regulation for Investment Firms.

Regulation 1423/2013 with regard to disclosure of own funds requirements.

Investment Firms Directive (IFD): Directive (EU) 2019/2034 ('IFD') known as the new prudential requirements directive.

Implementing Technical Standards ("ITS") on reporting requirements for investment firms regarding disclosure requirements of IFR.

Part Three, Title IV of the Capital Requirements Regulation (EU) No 575/2013 ('CRR').

Investment Firms Directive (IFD): Directive (EU) 2019/2034, known as the new prudential requirements directive, as this has been transposed into Cyprus legislation through the issuance of Law 165(I)/2021 of CySEC for the Prudential Supervision of Investment Firms.

Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

These Pillar III Risk Management Disclosures present the evaluation and management of the various risks faced by the Company during the year ended 31 December 2021. As part of the Disclosures, the Company presents amongst others, information on its capital structure, regulatory capital requirements, concentration risk and liquidity requirements.

The Company makes the Disclosures on a solo basis. Information in the Pillar III Risk Management Disclosures is presented in thousands of Euro (“€’000”) unless otherwise indicated.

The Company has established a subsidiary entity in Kenya during the year 2019, as a result of which it is subject to consolidated supervision in accordance with Article 7 of the IFR. As a Class 2 investment firm based on IFR/IFD rules, the Company prepares both solo and consolidated Pillar III. The present Disclosures concern the Company’s Pillar III information on a solo basis at the level of SM Capital Markets Ltd. Furthermore, the Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time.

Further to the above, the Company is subject to, and takes any action necessary to adhere to, the regulatory requirements that arise from the following legislative documents:

- Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereafter “the Law”), as subsequently amended
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

As of the 26th of June 2021, the capital adequacy and overall risk management requirements that applied to the Company, as well as the majority of EU investment firms, under the Capital Requirements Regulation & Directive (“CRR & CRDIV”) prudential framework, have been replaced by amended prudential rules. In particular, the abovementioned Investment Firm Regulation (or IFR) and Investment Firm Directive (or IFD) – harmonized through Cyprus Law 165(I)/2021 – have been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements.

The new rules introduce several changes to the methodologies that

investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy Ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process (“ICAAP”) which is replaced by the Internal Capital & Risk Assessment (“ICARA”) Process, a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement and several more.

As per the new rules, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

- a) Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

The Company publishes the Pillar III Disclosures on an annual basis on its website and can be found here.

### Non-Material, Proprietary or Confidential Information

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the CRR. The Company does not seek any exemption from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

### Operating Environment and Covid-19

The risk of resurgence of the COVID-19 pandemic, is a risk that the Company is monitoring closely and assesses the range of possible impacts and will continue to respond to the situation as it evolves. The Management of the Company has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company. The COVID-19 pandemic did not negatively affect the Company in terms of operations, liquidity and profitability during 2021. The Management has already taken the necessary measures to ensure that the Company’s activity continues as normal and will be able to meet the needs of its customers. The Company will continue to monitor the situation closely and assess additional measures if needed. If significant events do materially affect the operations of the Company, the directors are confident that the

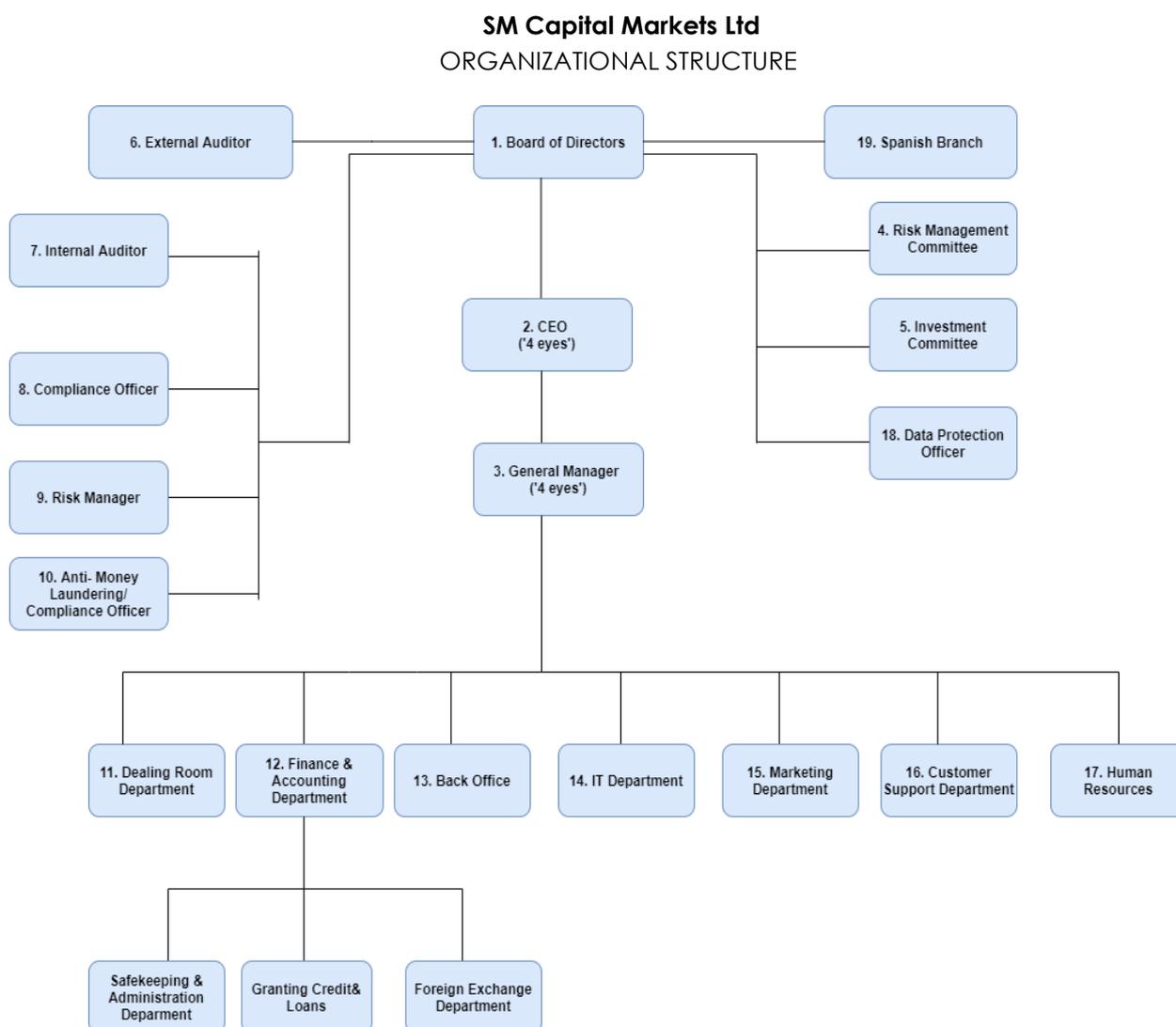
company can take actions to limit exposures and liabilities.

## Post-Reporting Period Events

In view of the Russian invasion into Ukraine which took place in February 2022 and has resulted in the imposition of targeted restrictive measures by the European Council and by other non-EU countries to the Russian government and to entities and individuals associated with Russia, the Company notes that it has not been particularly affected by these developments since it does not have any Client/Business Relationship with persons which are subject to Sanctions/Restrictive Measures. Furthermore, the Company has as an overall principle to refrain from establishing business relationships with any natural or legal person who is a holder of the Russian Nationality.

## Corporate Governance

### Diagram of Organizational Structure



## Board of Directors

The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies, set the strategy of the Company. The Board is responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management and Internal Audit) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body. In addition, the Risk Management and Investment Committees are communicating their suggestions and findings to the Board, as and if necessary.

As at 31 December 2021, the Company's Board of Directors comprised of the following officers:

**Table: Members of the Company's Board of Directors**

Full name of Director	Position/Title / Capacity	Country
Constantinos Shakallis	CEO, Executive Director, "4 eyes"	Cyprus
Jacob Plattner	General Manager, Executive Director, "4 eyes"	Cyprus
Daniel Lawrance	Non-executive Director	Cyprus
Nicolaos Kelepeniotis	Non-executive Director, Independent	Cyprus
Mikaela Messiou	Non-executive Director, Independent	Cyprus

## Product Governance and Risk Management Committee

The Company, due to its size, scale and complexity has established this Committee in order to better handle the risks that arise from its operations.

The Product Governance and Risk Management Committee is a committee appointed by the Board of Directors to review the Company's system of risk management and its product governance arrangements. This Committee is formed with the purpose of ensuring the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company.

The Committee, which reports directly to the Board of Directors, consists of 4 participants (2 Non-Executive Directors, 1 Executive Director and the Risk Manager who acts ex officio and without voting rights) and during 2021 it held seven meetings.

The role of the Committee is essential to:

- Ensure the efficient management of the risks inherent in the provision of the investment services to clients
- Monitor the risks underlying the operation of the Company
- Be responsible for monitoring and controlling the associated risks
- Identify additional risks that the Company is/may be exposed to
- Set and monitor risk limits and other mitigation measures
- Evaluate the adequacy and effectiveness of controls in place for managing the risks
- Adopt necessary actions.

The Product Governance and Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

## Risk Management Function:

The Risk Manager ensures that all the different types of risks taken by the Company follow the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager shall report to the Senior Management of the Company.

As an addition to the above, the Company is operating a Product Governance and Risk Management Committee, which is responsible for monitoring and controlling the Risk Manager in the performance of his duties. The Product Governance and Risk Management Committee is also formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company.

## Compliance Function:

The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer are to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their power effectively.

## Anti-Money Laundering Compliance Officer

The Anti-Money Laundering Officer reports directly to the Board of Directors and is responsible for:

- Ensuring implementation of the procedures described in the Company's AML Procedures Manual
- Ensuring that Company employees attend training sessions on anti-money laundering and terrorist financing procedures
- Ensuring that all clients' accounts must be opened only after the relevant pre-account opening due diligence and identification measures and procedures have been conducted, according to the principles and procedures set in the AML Manual

- Compliance with high standards of anti-money laundering (AML) practice in all markets and jurisdictions in which the Company operates
- Ensuring the implementation of the "know your client" procedures of the Company
- Gathering information with regards to the new customers of the Company
- Analyzing the customers' transactions
- Continuous improvement of the existing control procedures
- Providing a written annual report to the Board of Directors on the matters of own responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

#### Internal Audit Function:

The Internal Auditors review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

The corporate governance of the Company regarding risk management is considered adequate through the establishment of an effective risk oversight structure. The internal organisational controls are in place to safeguard that the Company has the ability to identify, assess and mitigate the relevant risks. Also, the aim of the Company and in general the risk management function is to quickly recognize potential adverse events, be more proactive and forward-looking and establish the appropriate risk responses where deemed necessary and at all times to comply with the relevant legislation.

## Number of Directorships held by members of the Board

According to Article 48 of the IFR, investments firms shall disclose, at least on an annual basis:

The number of directorships held by the members of the management body. In accordance with Article 9 of the Investment Services and Activities and Regulated Markets Law of 2017 as amended (the "Investment Services Law"), the number of directorships which may be held by a member of the Board of Directors of a Significant CIF (within the meaning of CySEC Circular C487), shall not be more than one of the following combinations at the same time:

- One executive directorship with two non-executive directorships
- Four non-executive directorships.

In addition to the above, the following shall count as a single directorship:

- a. executive or non-executive directorships held within the same group
- b. executive or non-executive directorships held within:
  - i. institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
  - ii. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

The Board members of the Company hold the following directorships to other entities:

**Table: Number of directorships held by the Company's Directors**

Full name of Director	Position / Title / Capacity	# Executive	# Non-Executive
Constantinos Shakallis	CEO, Executive Director, "4 eyes"	1	-
Jacob Plattner	General Manager, Executive Director, "4 eyes"	2	-
Daniel Lawrance	Non-executive Director, dependent	1	-
Nicolaos Kelepeniotis	Non-executive Director, Independent	-	4

Mikaela Messiou	Non-executive Director, Independent	1	2
-----------------	--	---	---

*Note: The information in this table is based only on representations made by the directors of the Company.*

It is important to note that the Company does not fall into the significant category in terms of its size, internal organization and the nature, the scope, and the complexity of its activities, according to the definition of significance as provided by CySEC Circular C487.

### Diversity Policy

According to Article 48 of the IFR, Investment Firms must have in place a policy on diversity about the selection of members of the management body.

The Company recognizes the value of a diverse and skilled workforce and management body, as diversity is an asset to organizations and linked to better economic performance.

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation. For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background for the Board appointments. To this end, the Company considers itself diverse in regard to its main workforce and has in place a Diversity Policy in relation to its management body and all employees.

The Company considers the following factors for the management body members selection:

- Integrity, honesty and the ability to generate public confidence.
- Knowledge, skills and experience with financial institutions (“fit-and-proper”).
- Specialized skills and/or knowledge in accounting, finance, banking, law, business administration or related subjects.
- Financial literacy and professional experience, including risk management experience
- Demonstrated sound and independent business judgment
- Time commitment expected by the members.

- Diversity principles considered

The main objectives of the diversity policy are:

1. To engage a broad set of qualities and competences.
2. To achieve a variety of views and experiences.
3. To facilitate independent opinions and sound decision making within the management body.

### Product Governance and Risk Management Committee

The Company, due to its size, scale and complexity has established this Committee in order to better handle the risks that arise from its operations.

The Product Governance and Risk Management Committee is a committee appointed by the Board of Directors to review the Company's system of risk management and its product governance arrangements. This Committee is formed with the purpose of ensuring the efficient management of the risks inherent in the provision of the investment services to Clients as well as the risks underlying the operation of the Company.

The Committee, which reports directly to the Board of Directors, consists of 4 participants and during 2021 held four meetings.

The role of the Committee is essential to:

- ensure the efficient management of the risks inherent in the provision of the investment services to clients;
- monitor the risks underlying the operation of the Company;
- be responsible for monitoring and controlling the associated risks;
- identifying additional risks that the Company is/may be exposed to;
- sets and monitors risk limits and other mitigation measures;
- evaluates the adequacy and effectiveness of controls in place for managing the risks;
- adopts necessary actions;

The Product Governance and Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of risk management

policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

## Remuneration

Remuneration refers to payments or compensations received for services or employment. The Company's remuneration system includes the base salary and bonuses or other economic benefits that an employee or executive may receive during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF's size, internal organization and the nature, scope and complexity of its activities.

The Company's remuneration policy is designed to regulate the benefits of all employees with particular focus on those categories of staff whose professional activities have a material impact on its risk profile, such as the Senior Management, Heads of the Departments, and the members of the Board of Directors. In the case of the latter, the remuneration policy is designed in such a way as to provide the right incentives to achieve the key business aims of the Company.

The company's information for the year is presented below:

- a. Aggregate quantitative information on remuneration, broken down by business area

**Table 2: Aggregate Remuneration for 2021 broken down by business area**

<b>31 December 2021</b>	<b>No. of staff</b>	<b>Fixed €</b>	<b>Variable €</b>	<b>Non-cash €</b>	<b>Total €</b>
Control Functions (Internal Audit, Compliance, Risk, Finance)	4	119,745.00	14,950.00	0	134,695.00
<b>Grand Total</b>		119,745.00	119,745.00	0	119,745.00

- a. Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investing firm, indicating the following:

**Table 3: Aggregate Remuneration for 2021 broken down by position/role**

<b>31 December 2021</b>	<b>No. of staff</b>	<b>Fixed €</b>	<b>Variable €</b>	<b>Non-cash €</b>	<b>Total €</b>
Executive, Non-Executive Directors & Senior Management	5	248,200.00	5,000.00	0	253,200.00
Heads of Departments	8	172,160.00	24,600.00	0	196,760.00
Members of staff whose actions have a material impact on the risk profile of the institution and other staff	1	14,400.00	309.00	0	14,709.00
<b>Grand Total</b>	<b>14</b>	<b>434,760.00</b>	<b>29,909.00</b>	<b>0</b>	<b>464,669.00</b>

*Table: Variable Remuneration broken down by type of remuneration*

<b>€ thousands</b>	<b>Cash</b>	<b>Share-linked instruments</b>	<b>Other Types</b>	<b>Total Variable Remuneration</b>
Board of Directors	0	0	5,000.00	0
Senior Management (excluding Board Members)	0	0	0	0
Head of Departments (excluding Board Members)	0	0	24,600.00	0
Members of staff whose actions have a material impact on the risk profile of the institution and other staff	0	0	309.00	0
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>29,909.00</b>	<b>0</b>

*Table: Deferred Remuneration awarded from previous performance periods*

<b>€</b>	<b>Current Financial year</b>	<b>Subsequent years</b>	<b>Total Deferred Remuneration</b>
Board of Directors	5,000.00	5,000.00	10,000.00

Senior Management (excluding Board Members)	0	0	0
Head of Departments (excluding Board Members)	24,600.00	6,850.00	31,450.00
Members of staff whose actions have a material impact on the risk profile of the institution and other staff	306.00	0	0
<b>Grand Total</b>	<b>29,909.00</b>	<b>11,850.00</b>	<b>73,209.00</b>

*Table: Guaranteed Variable Remuneration*

€	Guaranteed Variable Remuneration
Board of Directors	0
Senior Management (excluding Board Members)	0
Head of Departments (excluding Board Members)	0
Members of staff whose actions have a material impact on the risk profile of the institution and other staff	0
<b>Grand Total</b>	<b>0</b>

## Risk Management

### Risk Management Framework and Governance

Risk Management is "the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating". It is an iterative process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact.

Managing risk effectively in a multifaceted organization, operating in a continuously changing risk environment, requires a strong risk management function. To this end, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that the Company identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits and complies with the relevant legislation. In this respect, the Board and Senior Management of the Company are satisfied that the Risk Management framework is appropriate given the risk profile of the Company and its strategy.

The management and BoD recognize that risk is embedded in all activities of the

Company. Hence the Company supports the implementation of a risk management framework, as described in the following section. In this respect, the Company has established relevant Risk Appetite and Risk Assessment procedures. The BoD and the Management accept a required level of risk to achieve the required level of return, considering the risk identification assessment procedures performed.

There is a formal structure for monitoring and managing risks across the Company, comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk. To ensure effective risk management the Company has adopted the “three lines of defense” model of governance with clearly defined roles and responsibilities.

**First line of defense:** Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and, where appropriate, defined thresholds.

**Second line of defense:** The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them.

The Compliance Officer reports to the Senior Management of the Company and is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

**Third line of defense:** Comprises of the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

## Risk Management Process

The Company adopted and implemented its risk management process in order to create a robust and standardized procedure to manage each identified risk. The risk management process is an on- going and cyclical process which enables the Risk Management function to set the risk tolerance levels and also the manner in which the risks will be identified, assessed, controlled and managed.

The risk management cyclical process of the Company contains six steps which

every one of them has its significance. All the steps need to be considered, in order to apply an appropriate and effective risk management process for each risk exposure.

### *Continuous Risk Management Process*



#### Step 1 – Set Strategy/Objectives

At the board level, strategic risk management is a necessary core competency. The Company should set, approve and establish risk management strategy/objectives regarding its risk appetite/tolerance levels in order to proceed with the appropriate action for each identified risk exposure. The Senior Management and the Board of Directors should take a proactive approach in order to achieve the Company's goal to further develop the risk management capabilities. By establishing appropriate strategies and objectives regarding risk exposures, the Company will avoid unpleasant events which may harm its operations.

#### Step 2 – Risk Identification

Without clear objectives it is impossible to identify events that might give rise to risks that could impede the accomplishment of a particular strategy or objective. Risk

identification is the most important process in the risk management planning. Risk identification determines which risks might affect the operations of the Company. While each risk captured, it is important for senior management and the Board of Directors to focus and prioritize on the key risks. This prioritization is accomplished by performing the risk assessment. The risk identification process is performed on an ongoing basis in order to safeguard the operations of the Company to upcoming disrupting events. There are some techniques for identifying risk such as the brainstorming, SWOT analysis, scenario analysis, facilitated workshops, etc. The risks that may be identified, include but are not limited to, credit, market, operational, conduct, reputational and compliance risk.

### Step 3 – Risk Assessment

The first activity within the risk assessment process is to develop a common set of assessment criteria to be deployed across business units and corporate functions. Assessing risks consists of assigning values to all the identified risk exposures of the Company. Thus, the risk assessment is performed by considering the probability of risk occurrence and the impact of this risk on the achievement on the set objectives.

However, risks do not exist in isolation. Often there are risk interactions, which at the beginning a risk exposure may be seen as insignificant, but as they interact with other events and conditions, they may cause great damage to the Company's operation.

### Step 4 – Risk Response

The results of the risk assessment process then serve as the primary input to risk responses whereby response options are examined according to the risk appetite of the Company. The main objective of the Company is to mitigate the risk exposures affecting its operations, whatever their risk category. For example, if the impact of a risk is considered as high, then an immediate action should be taken. For each risk category, there is an appropriate response. Each risk and related response should be assigned to the manager who is responsible for the area affected by the risk. The action taken to respond to a risk exposure should be determined and documented, which is an essential part of the risk response process.

### Step 5 – Risk Control

Having identified the risk exposures of the Company, assessed them and determined the appropriate response, the Risk Manager then has to review the existing controls and all hazards must be managed before harm is caused to the operations of the Company. The management of risks in the Company requires mitigating risks to the greatest extent that is deemed reasonably practicable. All risk exposures that have been assessed should be dealt with, in order of priority. The most effective control options should be selected to mitigate risks. The hierarchy of controls is determined by the category of each risk exposure according to the Risk Matrix of the Company. This should be used to determine the most effective controls.

An essential component of the risk assessment is to first set a benchmark for the Company's Risk Appetite. The Company's Risk Appetite is governed firstly by the regulatory requirements imposing the Company to have at least a Capital Adequacy ratio of 100% for Pillar I risks, and in all cases to have own funds more than or equal to the sum of its capital requirements, and more than the Company's initial capital.

## Step 6 – Communicate and Monitor

Risk identification, risk assessment, risk response and control are an on-going process. Therefore, regular review of the effectiveness of the Company's risk assessment and control measures is an essential part of the Risk Management function. The Risk Manager has to ensure that the significant risks remain within the acceptable risk levels, that emerging risks and gaps are identified and that risk response and control activities are adequate and appropriate. Indicators that fall outside of acceptable risk levels should be escalated with appropriate action plans to bring the risk back within established risk levels. Those risks that still remain above acceptable risk levels should be considered by the Board for their approval of any necessary resolution strategies. This activity will form the basis for reporting to the Board and of on-going monitoring by management.

The monitoring process is an essential part of the risk management activities, which creates a "safety net" on the operations of the Company. Thus, the Product Governance and Risk Management Committee and the Internal Audit function of the Company play an important oversight role in confirming that management is monitoring and managing risks in accordance with established levels. The Risk Manager shall communicate to the senior management and the Board of Directors the findings of each committee regarding the risk exposures in order to mitigate them, which is the main objective of the Company.

The Risk Register is discussed and finalized during a Product Governance and Risk Management Committee's meeting whereby the Senior Management has the opportunity to elaborate on the identified risks and comment on their materiality, as well as the overall methodology of the risk assessment. The Risk Register will be reviewed at least annually by the Product Governance and Risk Management Committee and the Senior Management.

The Company undertakes Sensitivity Analyses and performs Stress Tests on the most significant (i.e. material) risks identified; thus, it obtains a forward looking view of the potential adverse results the risks may potentially have on the Company's Balance Sheet and Income Statement.

The Company has adopted a robust internal governance framework on the basis of which its processes and procedures are governed on a daily basis, and which,

combined with additional capital, where deemed necessary, ensures the mitigation of risks within the Company.

## Risk Appetite

The Company defines risk appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk appetite is defined using both quantitative and qualitative criteria.

The risk appetite framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The risk appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP / ICARA, which is also used to ensure capital adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analysed and approved by the Board. The Company's risk appetite strategy is implemented by the Product Governance and Risk Management Committee in collaboration with the Board and applied by all divisions through an appropriate operational steering system for risks, covering:

- Governance (decision-making, management and supervisory bodies)
- Management (identification of risk areas, authorisation and risk-taking processes, risk management policies using limits and guidelines, resource management)
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits).

Essential indicators for determining the risk appetite and their adaptations are regularly supervised over the year to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

Connecting risk tolerance with strategic planning is usually defined as the "risk appetite" of the Company which is defined as "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives". In this respect the risk appetite finds its existence somewhere between the policies, procedures and controls.

## Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk-to-asset ratio, which will ensure that there is sufficient capital to support the Company during stressed conditions.

Pursuant to Chapter 2 and Paragraph 18 of the CySEC Law 165(I)/2021 on the

Prudential Supervision of Investment Firms, as part of its Pillar II Process, which under the IFR/IFD framework, is renamed from Internal Capital Adequacy Assessment Process (ICAAP) to Internal Capital Adequacy and Risk Assessment (ICARA) Process, the Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

ICARA includes, in addition to a Capital Adequacy Assessment Process, a Liquidity Adequacy Assessment Process and Contingent Funding Plan. The Internal Liquidity Adequacy Assessment Process (ILAAP) and all its components, including risk elaboration on liquidity risks that are applicable to the Company and Liquidity stress testing, will be incorporated within the Company's ICARA.

In light of the above, the new ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organizational structure and the risk management framework, the overall assessment of the material risks, as well as a forward-looking capital and liquidity planning.

Following the implementation of the new prudential regulatory framework, the Company should replace its existing ICAAP with the new ICARA, by establishing new assessments with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the new K-Factor requirements and drafting a new report which reflects all provisions under the new regulation. The new methodologies of K-Factors and Liquidity Stress tests will be incorporated into the new ICARA process, as well as the updated risk register which will focus on a harm-pose approach, identifying different potential risk events that may affect the Company's overall capital adequacy and liquidity position.

The Risk Manager has informed the Board that the ICARA report preparation has already been initiated and the capital planning is being designed. It is expected that the new ICARA report will be available for review by the Company's Board in the third quarter of 2022.

## Own Funds Requirements

The Company makes sure that at all times has its own funds equal to at least 100% of the Total Capital Requirements. Further analysis of the Own fund's composition can be seen in the Own Funds Section of the Disclosures.

The Total Capital Requirements are defined as the highest of the following:

- The fixed overhead requirement (25% of the Fixed Overhead)
- The permanent minimum capital requirement (€150k)
- The K-factor requirement

The below two tables denote the calculations Funds Ratio as of 31<sup>st</sup> December 2021, on solo and consolidated basis respectively.

**Table 5a: Capital Adequacy/Own Funds Requirements (Solo)**

<b>As of 31st December 2021 (SOLO)</b>	<b>EUR Thousands</b>
<b>Eligible Funds</b>	
Common Equity Tier 1 Capital	323
Tier 1 Capital	323
<b>Total Own Funds</b>	<b>323</b>
<b>Own Funds Requirements</b>	
Permanent minimum capital requirement	150
Fixed overhead requirement	190
Total K-Factor Requirement	31
<b>Total Own Funds Requirements</b>	<b>190</b>
CET 1 Ratio	169.87%
Tier 1 Ratio	169.87%
<b>Own Funds Ratio</b>	<b>169.87%</b>

**Table 5b: Capital Adequacy/Own Funds Requirements (Consolidated)**

<b>As of 31st December 2021 (CONSOLIDATED)</b>	<b>EUR Thousands</b>
<b>Eligible Funds</b>	
Common Equity Tier 1 Capital	1,519
Tier 1 Capital	1,519
<b>Total Own Funds</b>	<b>1,519</b>
<b>Own Funds Requirements</b>	
Permanent minimum capital requirement	150
Fixed overhead requirement	487
Total K-Factor Requirement	919
<b>Total Own Funds Requirements</b>	<b>919</b>
CET 1 Ratio	165.31%
Tier 1 Ratio	165.31%
<b>Own Funds Ratio</b>	<b>165.31%</b>

<b>As of 31st December 2021</b>	<b>EUR Thousands</b>
<b>Eligible Funds</b>	
Common Equity Tier 1 Capital	1,460
Tier 1 Capital	1,460
<b>Total Own Funds</b>	<b>1,460</b>
<b>Own Funds Requirements</b>	
Permanent minimum capital requirement	150
Fixed overhead requirement	487
Total K-Factor Requirement	919
<b>Total Own Funds Requirements</b>	<b>919</b>
CET 1 Ratio	158.86%
Tier 1 Ratio	158.86%
<b>Own Funds Ratio</b>	<b>158.86%</b>

### Composition of regulatory own funds

The below table illustrates the composition of the Company's own funds, as of 31<sup>st</sup> December 2021, which is made up primarily of the following:

- Ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts,
- Retained earnings,
- Other reserves, and

Deductions from Common Equity Tier 1 capital:

- Losses from the current financial year,
- Intangible assets,
- Significant investments in financial sector entities
- Deferred tax assets that rely on future profitability and arise from temporary differences
- CET1: Other capital elements, deductions and adjustments such as the Investors Compensation Fund contribution and as per circular 162.

*Table: EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)*

Ref	Common Equity Tier 1 (CET1) capital: instruments and reserves	EUR Amounts in Thousands	Source based on the balance sheet in the audited financial statements
<b>1</b>	<b>OWN FUNDS</b>	323	N/A
<b>2</b>	<b>TIER 1 CAPITAL</b>	323	N/A
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	323	N/A
<b>4</b>	Fully paid up capital instruments	15	Issued shared capital
<b>5</b>	Share premium	3,759	N/A
<b>6</b>	Retained earnings	-1,381	Accumulated Losses
<b>7</b>	Accumulated other comprehensive income	0	N/A
<b>8</b>	Other reserves	0	N/A
<b>9</b>	Minority interest given recognition in CET1 capital	0	N/A
<b>10</b>	Adjustments to CET1 due to prudential filters	0	N/A
<b>11</b>	Other funds	0	N/A
<b>12</b>	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-2,070	N/A
<b>13</b>	(-) Own CET1 instruments	-1,395	Investments
<b>14</b>	(-) Direct holdings of CET1 instruments	0	N/A

15	(-) Indirect holdings of CET1 instruments	0	N/A
16	(-) Synthetic holdings of CET1 instruments	0	N/A
17	(-) Losses for the current financial year	-433	Profit and Loss
18	(-) Goodwill	0	N/A
19	(-) Other intangible assets	0	N/A
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-202	Tax
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0	N/A
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0	N/A
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	0	N/A
25	(-) Defined benefit pension fund assets	0	N/A
26	(-) Other deductions	0	N/A
27	CET1: Other capital elements, deductions and adjustments	-41	N/A
28	<b>ADDITIONAL TIER 1 CAPITAL</b>	0	N/A
29	Fully paid up, directly issued capital instruments	0	N/A
30	Share premium	0	N/A
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	N/A
32	(-) Own AT1 instruments	0	N/A
33	(-) Direct holdings of AT1 instruments	0	N/A
34	(-) Indirect holdings of AT1 instruments	0	N/A
35	(-) Synthetic holdings of AT1 instruments	0	N/A
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	N/A
38	(-) Other deductions	0	N/A
39	Additional Tier 1: Other capital elements, deductions and adjustments	0	N/A
40	<b>TIER 2 CAPITAL</b>	0	N/A
41	Fully paid up, directly issued capital instruments	0	N/A

42	Share premium	0	N/A
43	(-) TOTAL DEDUCTIONS FROM TIER 2	0	N/A
44	(-) Own T2 instruments	0	N/A
45	(-) Direct holdings of T2 instruments	0	N/A
46	(-) Indirect holdings of T2 instruments	0	N/A
47	(-) Synthetic holdings of T2 instruments	0	N/A
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	N/A
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	0	N/A
50	Tier 2: Other capital elements, deductions and adjustments	0	N/A

### *Reconciliation of regulatory own funds*

The below table illustrates the Company's reconciliation of Regulatory Own Funds with the audited Balance Sheet as of 31st of December 2021.

*Table: EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements*

Ref	EU IFCC2: Own funds: reconciliation of regulatory own funds2	Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
<b>As at 31/12/2021</b>				
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
1	Property, plant and equipment	56,578	N/A	
2	Other non-current assets	1,636,754	N/A	
3	Receivables	178,165	N/A	
4	Cash at Bank and in hand	699,342	N/A	
5	Other current assets	16,492	N/A	
	<b>Total Assets</b>	<b>2,587,331</b>	<b>N/A</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Trade and other payables	576,731	N/A	
2	Other liabilities	50,534		
	<b>Total Liabilities</b>	<b>627,265</b>	<b>N/A</b>	

Shareholders' Equity				
1	Ordinary share capital	15,300	N/A	Ref 4
2	Share premium	3,759,419	N/A	Ref 8
3	Retained earnings	-1,814,653	N/A	Ref 6 & Ref 17
<b>Total Shareholders' equity</b>		<b>1,960,066</b>	<b>N/A</b>	

### *Main features of own instruments issued by the firm*

The below table illustrates the Company's main features of own instruments issued by the firm, as of 31st December 2021.

*Table: EU IF CCA: Own funds: main features of own instruments issued by the firm*

Ref	EU IF CCA: Own funds: main features of own instruments issued by the firm	Information
1	Issuer	Company
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 15.3 thousand
7	Nominal amount of instrument	EUR 15.3 thousand
8	Issue price	EUR 1 per share
9	Redemption price	N/A
10	Accounting classification	Ordinary Share Capital
11	Original date of issuance	10/08/2015
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
17	<i>Coupons / dividends</i>	N/A
18	Fixed or floating dividend/coupon	N/A
19	Coupon rate and any related index	N/A
20	Existence of a dividend stopper	N/A

<b>21</b>	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
<b>22</b>	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
<b>23</b>	Existence of step up or other incentive to redeem	N/A
<b>24</b>	Noncumulative or cumulative	N/A
<b>25</b>	Convertible or non-convertible	N/A
<b>26</b>	If convertible, conversion trigger(s)	N/A
<b>27</b>	If convertible, fully or partially	N/A
<b>28</b>	If convertible, conversion rate	N/A
<b>29</b>	If convertible, mandatory or optional conversion	N/A
<b>30</b>	If convertible, specify instrument type convertible into	N/A
<b>31</b>	If convertible, specify issuer of instrument it converts into	N/A
<b>32</b>	Write-down features	N/A
<b>33</b>	If write-down, write-down trigger(s)	N/A
<b>34</b>	If write-down, full or partial	N/A
<b>35</b>	If write-down, permanent or temporary	N/A
<b>36</b>	If temporary write-down, description of write-up mechanism	N/A
<b>37</b>	Non-compliant transitioned features	N/A
<b>38</b>	If yes, specify non-compliant features	N/A
<b>39</b>	Link to the full term and conditions of the instrument (signposting)	N/A

## K Factor Requirement

The K-factor requirement shall amount to the sum of the own fund requirements emanating from the following K-factors:

- Risk to Client (RtC)
- Risk to Market (RtM)
- Risk to Firm (RtF)

## Fixed Overhead Requirement

As per Article 13 of the IFR, the Fixed Overhead Requirement (FOR) is the amount that the Firm is required to hold as eligible capital and is equal to at least one-quarter of the investment firm's fixed overheads for the preceding year. Under IFR it is required to report the Fixed Overhead Requirement on a quarterly basis.

**Table 6: Fixed Overhead Requirement**

<b>31 December 2021</b>	<b>Amount</b>
<b>Fixed Overhead Requirement</b>	190
<b>Annual Fixed Overheads of the previous year after distribution of profits</b>	761
<b>Total expenses of the previous year after distribution of profits</b>	791
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
<b>(-)Total deductions</b>	- 30
(-)Staff bonuses and other remuneration	- 30
(-)Employees', directors' and partners' shares in net profits	
(-)Other discretionary payments of profits and variable remuneration	
(-)Shared commission and fees payable	
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	
(-)Fees to tied agents	
(-)Interest paid to customers on client money where this is at the firm's discretion	
(-)Non-recurring expenses from non-ordinary activities	
(-)Expenditures from taxes	
(-)Losses from trading on own account in financial instruments	
(-)Contract based profit and loss transfer agreements	
(-)Expenditure on raw materials	
(-)Payments into a fund for general banking risk	
(-)Expenses related to items that have already been deducted from own funds	
<b>Projected fixed overheads of the current year</b>	
<b>Variation of fixed overheads (%)</b>	-100.00%

**Table 6: Fixed Overhead Requirement (consolidated)**

<b>31 December 2021</b>	<b>Amount</b>
<b>Fixed Overhead Requirement</b>	487
<b>Annual Fixed Overheads of the previous year after distribution of profits</b>	1949
<b>Total expenses of the previous year after distribution of profits</b>	2008
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
<b>(-)Total deductions</b>	-58
(-)Staff bonuses and other remuneration	-58
(-)Employees', directors' and partners' shares in net profits	
(-)Other discretionary payments of profits and variable remuneration	
(-)Shared commission and fees payable	
(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	
(-)Fees to tied agents	
(-)Interest paid to customers on client money where this is at the firm's discretion	
(-)Non-recurring expenses from non-ordinary activities	
(-)Expenditures from taxes	
(-)Losses from trading on own account in financial instruments	
(-)Contract based profit and loss transfer agreements	
(-)Expenditure on raw materials	
(-)Payments into a fund for general banking risk	
(-)Expenses related to items that have already been deducted from own funds	
<b>Projected fixed overheads of the current year</b>	
<b>Variation of fixed overheads (%)</b>	-100.00%

## Risk to Client

The K-factors under RtC capture 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).

**Table 7: Risk to Client K-Factor Requirements**

As at 31 December 2021	K- Factor Requirement EUR '000
K-AUM	0
K-CMH	14
K-ASA	3
K-COH	11
<b>Total RtC k-factor requirement</b>	<b>28</b>

### Client Money Held - Segregated

Client Money Held ('CMH') means the amount of client money that an investment firm holds, considering the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. The Company follows the guidelines set in the Article 15 and Article 18 of the IFR for the calculation of the K-CMH requirement.

For the year ended 31st of December 2021 the Company was subject to k-CMH since it held client money under a custodian capacity, and to this end it took all necessary and required measures to safeguard such money in accordance with the rules set by the CySEC in its Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

Under the IFR guidelines the own funds requirements for K-CMH are equal to the 14,000 EUR which correspond to the rolling average of the value of the total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months and is the arithmetic mean of the daily values from the remaining six months.

Based on the relevant calculations in the Company's capital requirements, the figure calculated shows that the Company's K-CMH as a part of the Risk to Client as of 31 December 2021 was as per below table:

**Table 8: Client Money Held**

31 December 2021	Exposure Value (EV) €'000	Coefficient	K - Factor Requirement €'000
CMH - Segregated (average amounts)	2,653	0.4%	11
CMH - Non - Segregated (average amounts)	689	0.5%	3

## Assets Safeguarded and Administered

Assets Safeguarded and Administered' or 'ASA' means the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts. For the referenced year the Company was subject to k-ASA since it acted as custodian for the positions of its clients in real equities. As in the case of k-CMH, the Company takes all necessary measures to safeguard the rights of its clients with respect to these assets by adhering to the requirements of the CySEC Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

The Company follows the guidelines set in Article 15 and Article 19 of the IFR for the calculation of the K-ASA requirement, under which the own funds requirements for K-ASA is equal to the 3,000 EUR which correspond to the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months and it is the arithmetic mean of the daily values from the remaining six months.

## Client Orders Handled

The Client Orders Handled k-factor reflects the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients. During 2021 the Company was subject to this risk as it executed its clients' orders on an agency, Straight-Through-Processing basis.

The Company calculates its K-COH requirement in accordance with Articles 15 and 20 of the IFR, which consider the rolling average of the value of the total daily client orders handled by the Company, measured throughout each business day over the previous six months, excluding the three most recent months, and then the arithmetic mean of the remaining three months is derived.

The Company mitigates exposure to k-COH by complying with best execution requirements, performing due diligence on its liquidity providers and offering negative balance protection to its clients in order to protect them from realising material losses in the event of unanticipated fluctuations in the prices of instruments they hold.

## Risk to Market

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to

exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives, and other assets.

Market risk arises from the below major risk areas:

Foreign Exchange risk: it is the risk of foreign exchanges prices moving against the trading book and balance sheet exposures.

Commodities risk: it is the risk of commodity prices moving against the Company's exposures in commodities.

Equity risk: Prices of equities and indices might move against the related exposures in the trading book.

Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates

Based on the relevant calculations in the Company's capital requirements, the figure calculated shows that the Company's K-NPR, as a part of the Risk to Market as of 31 December 2021 was as per below table:

**Table: Net Position Risk**

<b>K-Factor Net position risk (K-NPR)</b>	<b>K - factor requirement</b>
Total standardised approach	3
Position risk	0
Equity instruments	0
Debt instruments	0
Of which: securitisations	0
Particular approach for position risk in CIUs	0
Foreign exchange risk	3
Commodities risk	0

## Risk to Firm

Trading Counterparty Default Trading Counterparty Default ('TCD') means the exposures in the trading book of an investment firm in instruments and transactions giving rise to the risk of TCD. In other words, the trading Counterparty Default is the investment firm's exposure to the default of their trading counterparties. See below the list of instruments and transactions that give rise to TCD:

- Derivative contracts
- Long settlement transactions
- Repurchase transactions

- Securities or commodities lending or borrowing transactions
- Margin lending transactions
- Any other type of SFTs
- Credits and loans

It is noted that the Company is not exposed to the risk of TCD.

### Daily Trading Flow

Daily Trading Flow ('DTF') means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled.

It is noted that the Company is not exposed to the risk of DTF.

### K-Concentration Risk

Concentration Risk means the exposures in the trading book of the investment firm to a client or a group of connected clients the value of which exceeds the following limits:

An investment firm's limit with regard to the concentration risk of an exposure value with regard to an individual client or group of connected clients shall be 25 % of its own funds.

Where that individual client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit with regard to concentration risk shall be the higher of 25% of the investment firm's own funds or EUR 150 million.

Further to the above, in the below tables the detailed information on the K-Factor amount and K-factor requirement as of 31<sup>st</sup> of December 2021 on solo and consolidated basis, and as per the relevant articles of the IFR is indicated:

**Table 10: K-factor amount and K-factor requirement:**

As of 31st December 2021 (SOLO)	K-Factor amount	K-factor requirement
<b>TOTAL K-FACTOR REQUIREMENT</b>		<b>31</b>
<b>RISK to CLIENT</b>		<b>28</b>
Assets under management	0	0
Client money held - Segregated	2,653	11
Client money held - non-segregated	689	3
Assets safeguarded and administered	6,305	3
Client orders handled - Cash trades	839	1
Client orders handled - Derivatives Trades	103,197	10
<b>RISK to MARKET</b>		<b>3</b>
K-Net positions risk requirement		3
Clearing margin given	0	0
<b>RISK to FIRM</b>		<b>0</b>
Trading counterparty default		0
Daily trading flow - Cash trades	0	0
Daily trading flow - Derivative trades	0	0
K-Concentration risk requirement		0

As of 31st December 2021 (CONSOLIDATED)	Factor amount	K-factor requirement
<b>TOTAL K-FACTOR REQUIREMENT</b>		<b>919</b>
<b>RISK to CLIENT</b>		<b>61</b>
Assets under management	0	0
Client money held - Segregated	5,160	21
Client money held - non-segregated	689	3
Assets safeguarded and administered	12,610	5
Client orders handled - Cash trades	1,679	2
Client orders handled - Derivatives Trades	305,758	31
<b>RISK to MARKET</b>		<b>858</b>
K-Net positions risk requirement		858
Clearing margin given	0	0
<b>RISK to FIRM</b>		<b>0</b>
Trading counterparty default		0
Daily trading flow - Cash trades	0	0
Daily trading flow - Derivative trades	0	0
K-Concentration risk requirement		0

## Liquidity Risk and Requirement

Liquidity requirement in the scope of the new prudential framework for the investment firms set out by the IFR and IFD corresponds to the risk that the Company will not be able to meet its cash needs and/or other obligations. In addition to that CySEC has the power to impose additional or specific liquidity requirements if it deems that elements of liquidity risk are not sufficiently covered.

Liquidity risk may emerge in the form of insufficient liquid assets to meet liabilities as they fall due. Another source of liquidity risk is liquidity providers increasing their margin requirements, during periods of high market volatility, requiring additional funds. Inability of matching the margin requirements, will result in closure of open positions and inability to hedge effectively.

As per Article 43 of the IFR, Liquidity Requirement is the amount that the Firm is required to hold as liquid assets and is equal to at least one third of the investment firm's fixed overhead requirement, the calculation of the fixed overhead requirement is explained at the related section of the Disclosures. The below table indicates the liquidity requirement as at December 31, 2021, compared to the actual liquid assets held by the Company. As it can be seen, the Company's liquid assets exceeded its Liquidity Requirement by a significant amount.

**Table 11: Liquidity Requirement**

<b>31 December 2021</b>	<b>Amount</b>
<b>Liquidity Requirement</b>	63
<b>Client guarantees</b>	
<b>Total liquid assets</b>	397
<b>Unencumbered short-term deposits</b>	397
<b>Total eligible receivables due within 30 days</b>	
<b>Level 1 assets</b>	-
Coins and banknotes	
Withdrawable central bank reserves	
Central bank assets	
Central government assets	
Regional government/local authorities' assets	
Public Sector Entity assets	

Recognizable domestic and foreign currency central government and central bank assets	
Credit institution (protected by Member State government, promotional lender) assets	
Multilateral development bank and international organizations assets	
Extremely high-quality covered bonds	
<b>Level 2A assets</b>	-
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	
High quality covered bonds (CQS2)	
High quality covered bonds (Third Country, CQS1)	
Corporate debt securities (CQS1)	
<b>Level 2B assets</b>	-
Asset-backed securities	
Corporate debt securities	
Shares (major stock index)	
Restricted-use central bank committed liquidity facilities	
High quality covered bonds (RW35 %)	
<b>Qualifying CIU shares/units</b>	
<b>Total other eligible financial instruments</b>	

## Residual and Other Risks and Mitigating Controls

Implementing an efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates. The Company's risk management is supervised at the highest level to be compliant with the regulations enforced by CySEC and the European regulatory framework.

Apart from the risks that were introduced in the K-factor framework by the new prudential requirements regulation, the said IFR/IFD Regulation and Directive, as part of the Disclosures we will also refer to the following risks.

The Company operates in the financial services industry and considers the below risks as the most important, hence they are continuously monitored to be mitigated if required:

- Credit risk
- Market risk
- Operational risk
- Compliance risk

- Reputational risk
- Strategic/Business risk

## Credit risk

Credit risk is the risk of loss that the Company would incur if any counterparty to the Company fails to perform its contractual credit obligations. Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.

The Company has no concentration of Credit Risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Clients cannot commence trading unless funds have been deposited into their account and their deposits have been cleared. Once trading begins, a given margin is tied, or held as collateral, protecting the Company if the position goes against the client. If account equity drops below a certain predefined level, under normal market conditions all client positions are automatically closed, therefore eliminating the risk that clients will lose more money than already deposited in their account.

During the year of 2021, the geographic distribution of the Company's credit risk exposures was concentrated in Europe.

## Market Risk

Market Risk is the risk of adverse market movements in the level of interest rates, exchange rate difference and the current prices of securities, commodities and other financial instruments. The Company is exposed to Liquidity risk which is the risk that the Company will not be able to meet its financial obligations as they fall due. In periods of up normal fluctuations in market conditions or financial crisis, liquidity risk can expose the Company to shortfall of access to the capital markets resulting to damages.

The Company has policies and procedures in place with the object of minimizing the risk of losses which may arise as a result of an unmatched position, for the measurement and management of the Company's net funding position as well as the determination of funding requirements, on an ongoing and forward-looking basis. As part of its procedures, the Company continuously monitors the forecast and actual cash flows to ensure that

adequate liquidity is maintained at all times. These procedures include maintaining sufficient cash and other liquid current assets and having available an adequate amount of committed credit facilities. The Company also ensures to have sufficient cash on demand to meet any operational expenses that arise.

### Market Risk-Exposure by class

The Company's market risk exposure and Capital requirement in equities, foreign exchange and commodities is calculated using a Standardized Approach for each respective asset class. The table below illustrates the exposure to Market Risk as measures using the K-Factor Net position risk (K-NPR), as of 31<sup>st</sup> December 2021

	<b>K - factor requireme ntAmount</b>
Total standardised approach	3
Position risk	0
Equity instruments	0
Debt instruments	0
Of which: securitisations	0
Particular approach for position risk inCIUs	0
Foreign exchange risk	3
Commodities risk	0
Internal model approach	

### Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, employees and systems, error, omission, inefficiency, systems failure or from external events. The Company's policies and internal controls outline the processes and procedures to be followed by its employees, the reporting lines in place, and each department's functions and responsibilities. The aim of the policies and controls is to minimize the Operational Risk the Company faces. This is supported by a program of audits undertaken by the Internal Auditors of the Company.

The Company's operations are closely dependent on information technology and subsequently the Risk Manager has prepared a comprehensive business contingency and disaster recovery plan with recovery procedures and actions to be followed, in case of damage to any vital part of the Company's structure and to ensure it will continue to operate in the event of the occurrence of circumstances

beyond its control.

## Other Risks not covered in Pillar III

### Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans.
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

### Reputation Risk

Reputational risk can arise from direct Company actions or by actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

### Business Risk

This includes the current or prospective risk to earnings and capital arising from

changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

### Capital Risk

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements, however this is not achieved at all times on time but at a later stage.

### Regulatory Risk

This may arise as a result of negligent actions by the Company's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, the Company's reputation will be adversely affected.

The Company maintains strong compliance / internal audit departments, which perform frequent inspections on the Company's processes and procedures. Should a non-compliance issue arise, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained, and remain abreast with any new regulatory developments. The potential of such risk arising is considered low.

## Legal and Compliance Risk

The Company may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice.

The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the compliance officer. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management. From the Company initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Company is always compliant with them.

## Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc. No such concentration risk exists.

## Information technology Risk

Information technology risk could occur because of inadequate information technology security, or inadequate use of the Company's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques. Materialization of this risk has been minimized to the lowest possible level given the Company's current complexity of its operations and the services it offers to its clients.

## INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

Pursuant to Chapter 2 and Paragraph 18 of the Law, the Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

ICARA includes a Liquidity Adequacy Assessment and Contingent Funding Plan. Internal Liquidity Adequacy Assessment Process (ILAAP) and all its components, including risk elaboration on liquidity risks that are applicable to the firm and a Liquidity stress testing will be incorporated within ICARA.

In light of the above, the new ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organizational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning.

Following the implementation of the new prudential regulatory framework, the Company should replace its existing ICAAP with the new ICARA by establishing new assessments with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the new K-Factors requirement and drafting a new report which reflects all provisions under the new regulation. The new methodologies of K-Factors and Liquidity Stress tests will be incorporated into the new ICARA process, as well as the updated risk register which will focus on a harm-pose approach, identifying different potential risk events that may affect the Company's

overall capital adequacy position.

The risk manager informed the Board that the ICARA report preparation has been already initiated and the capital planning is designed. It is expected that the new ICARA report will be available for review by the board in the third quarter of 2022.

## Remuneration

Remuneration refers to payments or compensations received for services or employment. The Company's remuneration system includes the base salary and bonuses or other economic benefits that an employee or executive may receive during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF's size, internal organization and the nature, scope and complexity of its activities.

The Company's Remuneration Policy is designed to regulate the benefits of all employees, with particular focus on those categories of staff whose professional activities have a material impact on its risk profile, such as the Senior Management, Heads of the Departments, and the members of the Board of Directors. In the case of the latter, the Remuneration Policy is designed in such a way as to provide the right incentives to achieve the key business aims of the Company.

The Remuneration Policy is in line with the business strategy, objectives, values and long-term interests of the CIF, and incorporates measures to avoid conflicts of interests. The Company's Board adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for overseeing its implementation.

The Remuneration Policy, considering national criteria on wage setting, makes a clear distinction between criteria for setting:

- Basic fixed remuneration, which should primarily reflect relevant professional experience, knowledge, expertise and organizational responsibility as set out in an employee's job description as part of the terms of employment; and
- Variable remuneration, which should reflect a sustainable and risk adjusted performance, as well as performance more than that required to fulfil the employee's job description as part of the terms of employment.

## Fixed Remuneration

Fixed remuneration is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. Fixed remuneration includes “other benefits”, such as payment of mobile phone, payment of rent or insurance which are awarded on the basis of individual employment contracts and local market practice.

Fixed remuneration varies for different positions/roles, depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. The Company's policy is to provide an attractive fixed remuneration to its employees so to ensure good and stable performance.

The Company's fixed remuneration is approved by the Senior Management for all the relevant employees. Benefits provided to the Company's employees such as medical, indemnity & insurance protection are not employee performance-related and are considered part of the fixed remuneration.

## Variable Remuneration

Variable remuneration motivates and rewards high performers who strengthen long-term customer relations and generate income and shareholder value. The Company is dedicated to recognizing the contribution of the employees of other departments to its success by payment of bonuses whenever it is financially appropriate and depending on the performance of the Company as a whole. Moreover, in case of variable remuneration, this is allocated to the Company's personnel based on their individual performance.

The Board of Directors, for the payment of any variable remuneration to the Company's employees, takes into consideration and reviews the current financial position and performance of the Company, the development plans, liquidity, operational and capital risks. Where remuneration is performance related, its amount is based both in

qualitative and quantitative criteria. It is noted that, no remuneration is payable under deferral arrangements (with vested or unvested portions).

The aggregate amounts of remuneration for financial year 2021, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Company, are presented below:

**Table: Aggregate Remuneration awarded in 2021 broken down by Senior Management and Other Staff**

<b>31 December 2021 (EUR '000)</b>	<b>No. of staff</b>	<b>Fixed</b>	<b>Variable</b>	<b>Non-cash</b>	<b>Total</b>
Senior Management	5	248	5	-	253
Heads of Departments & Other members of staff whose actions have a material impact on the Company's risk profile	9	187	25	-	212
<b>Grand Total</b>	<b>14</b>	<b>435</b>	<b>30</b>	<b>-</b>	<b>465</b>

Note 1: The first category above relates to the Company's 2 Executive and 3 Non-Executive Directors, where the Executive Directors also hold the position of CEO and General Manager.

Note 2: The second category above relates to officers that during 2021 have served as heads of the Compliance & AML, Risk Management, Dealing (Brokerage), Back Office, Customer Support, Accounting and Marketing departments, as well as a Sales department officer.

Note 3: All variable remuneration was awarded in the form of cash.

**Table: Deferred Remuneration amounts awarded**

<b>31 December 2021 (EUR '000)</b>	<b>Current Financial year (Cash)</b>	<b>Subsequent years</b>	<b>Total Deferred Remuneration</b>
Senior Management	5	-	5
Heads of Departments & Other members of staff whose actions have a material impact on the Company's risk profile	25	-	25
<b>Grand Total</b>	<b>30</b>	<b>-</b>	<b>30</b>

Note 1: The amounts reported under Column "Current Financial year" relate to variable remuneration awarded for the previous performance period of 2020, that was deferred to vest in the following year, and was therefore paid in 2021, fully in the form of cash.

Furthermore:

- The Company did not award any guaranteed variable remuneration during 2021
- The Company did not award any severance payments in previous

periods that have been paid out during 2021, and

- The Company did not award any severance payments during 2021.

## Investment Policy

Subject to the conditions specified below, Investment Firms should disclose the following information in accordance with Article 52 of the IFR:

- The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector
- A complete description of voting behaviour in the general meetings of companies, the shares of which are held in accordance with paragraph 2 of Article 52 of IFR, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved
- An explanation of the use of proxy advisor firms, and
- The voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 52 of IFR.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of CySEC Law 165(I)/2021, whose on-and-off balance sheet assets on average over the 4 preceding years are less than €100m, are exempted from the disclosure requirement regarding investment policy.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the said Law. Therefore, the Company is exempted from the disclosures requirement regarding investment policy.

## Environmental, Social and Governance Risks

From 26 December 2022, investment firms meeting certain criteria shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as defined in the EBA's report referred in Article 35 of the IFD. The information on ESG shall be disclosed once in the first year and biannually thereafter.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the CySEC Law 165(I)/2021, whose on-and-off balance sheet assets on average over the preceding 4-year period are less than €100m, are exempted from the disclosure of information on ESG risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on and off-balance sheet assets for the preceding 4-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosures requirement regarding these risks.