

Assurance Report to the Cyprus Securities and Exchange Commission in respect to the public disclosures referred to in Part Six of Regulation (EU) 2019/2033 of the European Parliament of GPB Financial Services Ltd for the year ended 31 December 2023

Scope

We, K.M.Evangelou & Partners Audit & Consulting Ltd (hereinafter “KME”), have been engaged by GPB Financial Services Ltd (hereinafter the “Company”) to perform a “limited assurance engagement”, as defined by the International Standards on Assurance Engagements, here after referred to as the Engagement, to report on the Company’s public disclosures pursuant to Part Six of Regulation EU 2019/2033, for the year ended 31 December 2023 (hereinafter the “Disclosures”). The Disclosures are attached as an Appendix and have been initiated for identification purposes.

Criteria applied by GPB Financial Services Ltd

In preparing the Disclosures, the Company applied the Regulation. Such Regulation was specifically designed for public disclosures by investment firms to reinforce market discipline. As a result, the Disclosures may not be suitable for another purpose.

Management’s responsibilities

The Company’s Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the Regulation, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Disclosures, such that it is free from material misstatement, whether due to fraud or error

KME’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Disclosures based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standards for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information 3000 (“ISAE 3000”) and the terms of reference for this engagement as agreed with the Company on 20 October 2023. This standard requires that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Disclosures, in order for it to be in accordance with the Regulation, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies to conduct this assurance engagement.

KME also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of personnel responsible for the preparation of the Disclosures and related information and applying analytical and other appropriate procedures.

Our procedures also included verification, on a sample basis, of the compliance of the Disclosures with the requirements of the Regulation, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant judgements and estimates made by the Company's management and/or Board of Directors in the preparation of the Disclosures. We also performed such other procedures as we considered necessary in the circumstances.



K.M.EVANGELOU & PARTNERS
AUDIT&CONSULTING LTD

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that need to be made to the Disclosures for the year ended 31 December 2023, in order for it to be in accordance with the Regulation.

Specific purpose and Restricted use

This report is intended solely for the information and use of the Cyprus Securities and Exchange Commission for evaluation the Company's compliance of the Disclosures being in accordance with the Regulation and is not intended to be and should not be used by anyone other than those specified parties, without our express permission. The report refers exclusively to the Disclosures and must not be associated with any of the Company's financial statements as a whole.


Andria Georgiou
Certified Public Accountant and Registered Auditor
for and on behalf of
K.M. Evangelou & Partners Audit Consulting Ltd

Limassol, 24 April 2024

GPB-Financial Services Ltd

Regulated by the Cyprus Securities and Exchange Commission License no. 113/10

PUBLIC DISCLOSURES REPORT FOR 2023

May 2023

DISCLOSURE

*The Public Disclosures Report for the year 2023 has been prepared by **GPB-Financial Services Ltd** in accordance with Part Six of Regulation (EU) No. 2019/2033 and Delegated Regulation (EU) 2021/2153 issued by the European Commission and Law 165 (I)/2021 issued by the Cyprus Securities and Exchange Commission (hereinafter, "CySEC").*

GPB-Financial Services Ltd (hereinafter, "GPBFS" or "Company") states that any information that was not included in this report is either not applicable on the Company's business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

*GPB-Financial Services Ltd is regulated by CySEC under License number **113/10**.*

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1. INTRODUCTION

1.1 Investment Firm

GPB Financial Services Limited is a wholly-owned subsidiary of Gazprombank Public Joint Stock Company (PJSC). The Company was incorporated in Cyprus on February 24, 2009 as a private limited liability company. Its main activity consists of the provision of Investment and Ancillary Services and Investment activities for the Financial Instruments under license number 113/10, dated January 27, 2010 and granted by the CySEC, as shown in the following table.

Table 1: Company information

| General Information | |
|--|--------------------------------|
| Company name | GPB Financial Services Limited |
| CIF Authorisation date | 27/01/2020 |
| CIF License Number | 113/10 |
| Company Registration Date | HE 246301 |
| Legal Entity Identifier code (LEI) | 213800NW35DTWHTMX505 |
| Investment Services | |
| 1) Reception and transmission of orders in relation to one or more financial instruments | |
| 2) Execution of orders on behalf of clients | |
| 3) Dealing on own account | |
| 4) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis: | |
| 5) Placing of financial instruments without a firm commitment basis | |
| Ancillary Services | |
| 1) Safekeeping and administration of financial instruments, including custodianship and related services | |
| 2) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings | |
| 3) Foreign exchange services where these are connected to the provision of investment services | |
| 4) Services related to underwriting | |
| Financial Instruments | |
| 1) Transferable securities | |
| 2) Money-market instruments | |
| 3) Units in collective investment undertakings | |
| 4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash | |
| 5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event) | |
| 6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF | |
| 7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls | |

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| 8) Derivative instruments for the transfer of credit risk |
| 9) Financial contracts for differences (CFDs) |
| 10) Options, futures, swaps, forward-rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF |

1.2 Purpose

The present report is prepared by GPB Financial Services Ltd a Cyprus Investment Firm (hereinafter, "CIF", "Company" or "GPBFS") authorized and regulated by CySEC under the license number 113/10 and operates in harmonization with the Markets in Financial Instruments Directive II (hereinafter, "MiFID II").

In accordance with Part Six of Regulation (EU) No. 2019/2033 (the "Investment Firms Regulation", hereinafter "IFR"), which was introduced in 2019, the Company is required, as it is categorised as a Class 2 investment firm, to disclose information relating to its risk management objectives and policies, governance, level of own funds and own funds requirements, remuneration policy and practices, investment policy (if applicable) and environmental, social and governance risks (if applicable). The scope of this report is to promote market discipline and to improve transparency of market participants.

The 2023 Public Disclosures Report has been prepared based on the relevant requirements in accordance with Part Six of the IFR and in particular articles 46 to 53, as applicable to the Company.

In order to meet the requirements of the IFR, the Board of Directors ("BoD") and the Senior Management have the overall responsibility for the internal control systems in the process of the "Capital Adequacy Assessment" and they have established effective processes to ensure that the full spectrum of risks facing the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

The Company's business effectiveness is presented and based on the guidelines of the risk management policies and procedures. The BoD, Internal Auditor, Risk Manager, Compliance Officer, and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

Frequency of Publication

The information contained in this report is reviewed on an annual basis at a minimum and, if appropriate, more frequently. They are published in conjunction with the date of publication of the financial statements (or where no publication of financial statements is required, the Public Disclosures Report is published in conjunction with the date of submission of the audited financial statements to the CySEC).

Location of Publication

The Public Disclosures Report is published and made available on the Company's website at <https://www.gpbfs.com.cy/mifid>.

Verification

The information contained in the Public Disclosures Report is to be audited by the Company's external auditors on an annual basis. Moreover, the Company is obliged to provide a copy of the external auditor's verification report to CySEC within 5 months after the end of each financial year.

Scope of the Public Disclosures Report

The information disclosed in this report is related to the year ended 31st December 2023. The Company has prepared this report on a solo basis in accordance with the disclosure requirements of Part Six of IFR.

1.3 Regulatory (Prudential) Framework

In accordance with Regulation (EU) No. 2019/2033 (the "Investment Firms Regulation", "IFR") and Regulation (EU) No. 2019/2034 ("Investment Firms Directive", "IFD"), that entered into force in June 2021 (which replaces the Regulation (EU) 575/2013 (the "Capital Requirements Regulation", "CRR"), GPBFS is obliged to disclose information regarding its risk management, capital structure, capital adequacy, risk exposures, ESG exposures, its investment policy, as well as the most important characteristics of its corporate governance, including its remuneration system. The core aim of the IFR is to introduce more proportionate rules for all MiFID II investment firms in relation to capital, liquidity and other risk management requirements, while ensuring a level-playing field between large and systemic financial institutions.

Unlike the CRR, (which mainly captures credit institutions risks), the IFR aims at considering specific risks that are applicable only to investment firms, depending on their business model and size. The new IFR categorizes IFs into three categories depending on their business activities, systemic importance, size, and interconnectedness.

Each IF class will be subject to a different set of prudential requirements, with some systematically important and larger firms remaining under the current Basel-derived CRR/CRD regime. In particular, IFs are now be categorized into the following classes:

- **Class 1 IFs (remain subject to CRR and CRD):** Large IFs that exceed certain criteria and need to be reclassified as credit institutions, plus:
 - **Class 1a:** Not reclassified as credit institutions, but above certain criteria and/or are categorized Systemically important IFs to the country ("O-SIIs") and subject to CRR.
 - **Class 1b:** Not-Systemic Large IFs, but which elect to be subject to the CRR (if they are part of a group containing a bank that is subject to consolidated supervision under CRR).
- **Class 2 IFs (subject to new IFR/IFD):** IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- **Class 3 IFs (subject to new IFR/IFD, BUT with exemptions):** Small and Non-interconnected Investment Firms.

GPBFS falls into the Class 2 category and is subject to the new IFR/IFD framework. The new **minimum regulatory capital requirement** for GPBFS is the greatest of:

- A **Permanent Minimum Capital Requirement of EUR 750,000**;
- A **Fixed Overhead Requirement at 25% of the firm's fixed overheads** in the previous year; and
- A **K-factors Requirement**, which is based upon nine risk exposure indicators ("K-factors") which are designed to measure operational risk to customers, counterparty credit risk, trading book market risk, and concentration risk (in the trading book and securities financing type of transactions including REPOs).

Under the new regulatory framework, the notion of pillars (Pillar I, Pillar 2 and Pillar III) that was broadly used under the CRR has been removed. However, similarly to the CRR, the IFR regulatory framework is comprised of three main areas:

- (i) **Minimum Own Funds Requirement:** covers the calculation of the minimum capital needed to be allocated depending on the IF's class categorization (i.e., calculation of Fixed Overhead Requirement, Permanent Minimum Capital requirement or k-factors requirement) and liquidity requirements.
- (ii) **Internal Capital and Risk Assessment Process (ICARA):** covers the Supervisory Review and Evaluation Process ("SREP"), which assesses the Internal Capital and Risk Assessment Process ("ICARA") and provides for the monitoring and self-assessment of the Company's capital and liquidity adequacy and internal processes; and
- (iii) **Public Disclosures:** covers external/public disclosures that are designed to provide transparent information on regulatory capital and liquidity adequacy, own funds requirements, risk management objectives and policies, internal governance arrangements, remuneration policy and practices, investment policy (if applicable) and environment, social and governance risks (if applicable).

1.4 Conflict between Russia and Ukraine

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals.

Specifically, on 24th of February 2022, the Department of the Treasury's Office of Foreign Assets Control ("OFAC"), US issued Russia-related Directive 2 and Directive 3 under Executive Order 14024. As per those Directives the Company's Parent Company, Gazprombank JSC, is prohibited to issue New Debt and Equity under certain conditions.

On 25th of February 2022, EU Council issued 2022/328 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine. As per this Regulation Gazprombank JSC is prohibited to directly or indirectly purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments with a maturity exceeding 90 days, issued after 1 August 2014 to 12 September

2014, or with a maturity exceeding 30 days, issued after 12 September 2014 to 12 April 2022 or any transferable securities and money market instruments issued after 12 April 2022.

In addition, the Company is included in the UK designated sanctions list since the Company is a whole owned subsidiary of Gazprombank JSC which is also included in the UK sanction list in accordance with the UK sanctions General Licence, "General Licence - Wind Down of Positions involving various Designated Banks NT/2022/1424276".

The Company is closely and thoroughly monitoring all relevant developments, sanctions, restrictive measures implemented by the European authorities as well as by other respective authorities in countries where the Company might have direct business operations and is taking all appropriate actions and installing thorough controls, to ensure that it complies with those at all times. More specifically, the Company maintains a Sanctions Policy, which is continuously updated to reflect the new sanctions announced, and to which all employees of the Company are obliged to abide at all times. It is also noted that the Company did not enter in any sanction covered transaction and was not subject to any regulatory fines, warnings, claims or any other penalties related to sanctions. In various cases where the Company had doubts about certain transactions it obtained legal advice from external independent legal advisors. In addition, the Company is in close communication with the legal department of the parent Company for further legal advice on sanctions matters.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Framework and Structure

Risk management is regarded as an integral part of sound management practices; thus, it is fully integrated into the Company's policies and procedures. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that may pose certain dangers or have critical impact on the Company's operations. Effective risk management includes early risk identification through the collaboration and involvement of the Department of Risk Management in concert with directors, management, heads of departments and personnel. Strong leadership across all relevant stakeholders is needed to establish an environment for the free and open disclosure and discussion of risk within the Company.

The Company has the necessary risk management systems to identify exposures to risk, establish appropriate ranges for exposures, measure these exposures and execute appropriate adjustments whenever exposure levels fall outside of target ranges. This is a continuous process which is subject to evaluation and revision to reflect new policies and information. The systems have the necessary controls in place to generate prudent and reliable valuation estimates which are provided to Senior Management regularly. Senior Management is primarily responsible for managing risks and for ensuring that the Company follows its strategic objectives.

In developing the risk management framework, the Company has placed great emphasis on establishing and recognising the appropriate responsibility for risk management at all levels of staff within the Company. For the Company, the purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve overall objectives.

Taking into account the nature, scale and complexity of investment services and activities undertaken in the course of this business, Risk Management is applied at the distinct functions of Internal Audit, Risk Management, Compliance and AML process, the Accounting Department and all other operations departments.

Risk Management function

The Company's Risk Management function operates independently and carries out the following tasks:

- Implementation of the policy and procedures relevant to the risk management activities;
- Provision of reports on a frequent basis, and at least annually;
- Provision of advice to senior management;
- Develop and retain a Risk Register in order to facilitate all risks associated with Company operations; and
- Achieve a proactive approach to Risk Management.

In order to apply the above principles, the Company monitors the following:

- The adequacy and effectiveness of the Company's risk management policies and procedures;
- The level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted;
- The adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

Risk Management Committee

The Company has established a Risk Management Committee, which is comprised by its Non-Executive Directors. The Committee meets as and when required discussing areas, including but not limited to, amendments to the Company's policies, the introduction of new products and changes to risk levels. Additional details on the Company's Risk Management Committee roles and responsibilities can be found in Section 2.4 below.

Compliance Department

The Company has established a Compliance Function which is an independent unit within the organization. The main duties/responsibilities of the Compliance function are the following:

- Monitor on a permanent basis and assess on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations;
- Advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the relevant laws;
- Report to the Board of Directors, on at least an annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and, on the Complaints-handling reporting, as well as the remedies undertaken or to be undertaken; and
- Monitor the operations of the Complaints-handling process and consider Complaints as a source of relevant information in the context of its general monitoring responsibilities.

Internal Audit

The Company's internal audit function is outsourced to PricewaterhouseCoopers. The main duties and responsibilities of the internal audit are the following:

- Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements
- Issue recommendations based on the result of the audit;
- Verify compliance with the recommendations;
- Report in relation to internal audit matters to the management of the Company, the Board of Directors and to the regulators.

ICARA and Stress Testing

As part of its Risk Management Framework and procedures, the Company conducts stress tests, in the context of the Annual Internal Capital Adequacy and Risk Assessment Process (hereinafter, the "ICARA") that help the Company to evaluate the impact on its current and future profitability and capital and liquidity adequacy, as well as, to assess and quantify risks using forward looking stress testing scenarios.

It is noted that the next ICARA will be performed by the Company in Q2 2023 and will rely on the "IFR-plus approach", and will aim to capture the risks as stipulated by the new IFR (k-factors, liquidity risks, etc.) but also to include any other risks that are not being captured under the IFR.

Stress tests consider the following:

- Understanding the risk profile of the Company;
- Evaluating of the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under the minimum regulatory and liquidity requirements. This takes place in the context of the Company's ICARA;
- Evaluating the Company's strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows Senior Management to determine whether the Company's exposures correspond to its risk appetite; and
- Establishing or revisioning of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios.

The ultimate responsibility and ownership of the Company's stress testing policy rests with the BoD. If the stress testing scenarios reveal vulnerability to a given set of risks, management should make recommendations to the BoD for remedial measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Reduce underlying risk positions through risk mitigation strategies.
- Consider an increase in share capital; or
- Enhance contingency planning.

3. GOVERNANCE ARRANGEMENTS

2.1 Board of Directors

For the year ended 31 December 2023, the Board consisted of three Executive Directors and one Non-Executive Directors.

The main duties of the Board of Directors ("BoD") include:

- Defining and overseeing the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interest of the Company's clients;
- Formulating the Company's strategy in terms of the development of existing and new services;
- Governing the organization by broad policies and objectives;
- Ensuring that the Company maintains and implements an adequate internal control mechanism;
- Ensuring that the Company complies with its legal obligations to CySEC;
- Assessing on a regular basis that the Company's policies and procedures follow the relevant Law and Directives / Guidelines issued by CySEC from time to time;
- Defining, overseeing and approving a policy as to services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Company as well as the characteristics and needs of the clients of the Company to whom they will be offered or provided;
- Defining, overseeing and approving a remuneration policy;
- Determining and recording the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing and informing the Compliance/AML Officer accordingly;
- Monitoring the internal control mechanisms of the Company and periodically assessing the adequacy and implementation of the Company's strategic objectives in the provision of investment services and activities;
- Reviewing and approving the Client Acceptance Policy;
- Ensuring that sufficient and experienced resources are available to the Company to carry out its operations;
- Ensuring that it receives on an annual basis written reports from the Compliance Officer, Risk Management Officer and Internal Audit function, following up on any issues raised, as well as ensuring that remedial measures have been taken.

The Board of Directors meets on a regular basis, and at least a minimum of four times per year, at the Company's office in Cyprus and follows a formal schedule for its meetings of matters that the Board needs to take decisions.

2.2 Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select BoD candidates and ensure appropriate succession planning. The assessment of the suitability of members of the Management Body is performed on the basis of the following criteria:

- Substantive knowledge and skills;
- Management competencies;
- Professional experience;
- Individual suitability (adequacy of the candidate for the position, business situation and current strategy of the Company);
- Collective suitability;
- Reputation and good repute, the ability to act with ethics and integrity;
- Investing sufficient time and holding an adequate number of management functions; and
- Independence of judgment.

When assessing the knowledge, skills and experience of a member, consideration should be given to theoretical and practical experience relating to:

- Banking and financial markets;
- Legal requirements and regulatory framework;
- Strategic planning, the understanding of a company's business strategy or business plan and accomplishment thereof;
- Risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a company);
- Accounting and auditing, financial reporting; and
- The assessment of the effectiveness of a company's arrangements, ensuring effective governance, oversight and controls.

The assessment of professional experience takes into account previously held positions and time in employment. The assessment of individual suitability takes into account the person's competencies, theoretical knowledge and skills, management competencies and professional experience. The BoD as a body should have the knowledge, skills and experience necessary to perform its functions.

2.3 Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at BoD level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the BoD's composition, BoD diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The members of the Board of Directors shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

The ultimate objective is to have a Board that offers a broad range of perspectives that are directly relevant to the business and organizational needs. The Company ensures that a broad set of qualities and competences exists when recruiting members to its Board.

The overall composition of the Company's Board shall reflect an adequately broad range of experiences and knowledge in domain areas of the Company's business such as investment banking and finance, human resources, legal, risk management, etc.

2.4 Committees

The Board establishes sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Board committees represent an essential part of the corporate governance process and should have clear reporting procedures and scope.

In accordance with the criteria stipulated in CySEC's circular C487, the Company is considered a Significant CIF¹ and therefore the following committees have been established:

- A Nomination Committee;
- A Risk Committee; and
- A Remuneration Committee.

The role and composition of the aforementioned committees are as follows:

1. Nomination Committee

The Nomination Committee is comprised by the Company's Non-Executive Directors.

The Committee meets as and when required discussing areas, including but not limited to, amendments to the Company's Suitability Policy and composition of the BoD.

The main duties and responsibilities of the Nomination Committee include the following:

- Identify and recommend, for the approval of the board of directors, candidates to fill vacancies in the BoD, evaluate the balance of knowledge, skills, diversity and experience of the BoD and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;
- Decide on a target for the representation of the underrepresented gender in the board of directors and prepare a policy on how to increase the number of the underrepresented gender in the BoD in order to meet that target;
- Assess periodically, and at least annually, the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;
- Assess periodically, and at least annually the knowledge, skills and experience of members of the BoD individually, and of the BoD collectively, and report to the BoD accordingly;
- Periodically review the policy of the BoD for selection and appointment of senior management and make recommendations to the BoD;
- In performing its duties, take into consideration, to the extent possible and on an ongoing basis, the need to ensure that the BoD's decision making is not dominated by any one individual or a small group of individuals in a manner that is detrimental to the interests of the Company as a whole;

¹ "Significant CIF" definition as per CySEC's Circular C487: a CIF shall be considered as a 'significant CIF' for the purposes of the Investment Services Law where its on and off-balance sheet assets are on average greater than EUR 100 million over the four-year period immediately preceding the given financial year.

- Be able to use any type of resources that it considers to be appropriate, including external advisors, and shall receive appropriate funding to that effect.

2. Risk Committee

The Risk Committee is comprised by the Company's Non-Executive Directors.

The Committee meets as and when required discussing areas, including but not limited to, amendments to the Company's policies, the introduction of new products and changes to risk levels.

The main duties and responsibilities of the Risk Committee include the following:

- To advise the BoD on the Company's overall current and future risk appetite and strategy;
- To assist the BoD in overseeing the implementation of that strategy by senior management;
- To help the BoD to understand the key risks facing the Company, its risk tolerances and its defenses against these risks;
- To assess the Company's risk profile and potential exposure to risks of various types;
- In cooperation with the Investment Committee, to define the markets and financial instruments in which the Company shall operate in and to provide a list of investment choices which should be avoided or preferred over others;
- To approve limit methodology and be informed by the Risk management department of any limit breaches;

3. Remuneration Committee

The Remuneration Committee is comprised by the Company's Non-Executive Directors and it meets as and when required.

The main duties and responsibilities of the Remuneration Committee include the following:

- Adopt and periodically review the general principles of the Remuneration Policy. The Remuneration Policy is subject to periodic review conducted at least on an annual basis;
- Provide its support and advice to the supervisory function on the design of the investment firm's remuneration policy, including that such remuneration policy is gender neutral and supports the equal treatment of staff of different genders;
- Ensure that the Remuneration Policy is implemented and enforces the prevention/mitigation of any risks which may arise as a result of the Remuneration Policy and practices of the Company;
- Support the supervisory function in overseeing the remuneration policies, practices and processes and the compliance with the remuneration policy and the requirement for the remuneration policy to be gender neutral;
- Check whether the existing remuneration policy is still up to date and, if necessary, make proposals for changes;
- Ensure that on appointment to the BoD, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment and involvement outside BoD meetings;
- Put forward proposals for (re)appointments and prepares a description of the role and capabilities required for an appointment;
- Responsible for the preparation of decisions on remuneration to be taken by the supervisory function, in particular regarding the remuneration of the members of the management body in

its management function and approve employment of new members of staff alongside the proposed salary of each new member;

- Assess the mechanisms adopted to ensure that the remuneration methodology properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is gender neutral, is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and the long-term interest of the Company;
- Review a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes;
- The BoD is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Company. When preparing such decision, the BoD should take in to account the long-term interest of shareholders and, investors or other stakeholders of the Company, CySEC requirements relating to remuneration and the public interest.

Investment Committee

In addition to the aforementioned committees, the Company has also established an Investment Committee which is comprised of representatives from the following departments: (i) Front office; (ii) Risk Management; and (iii) General Management.

The Investment Committee is responsible for establishing investment guidelines and formulating the overall investment policy of the Company which is subject to approval by the BoD.

The Investment Committee meets on an ad-hoc basis and when deemed necessary, but at least once a year.

The Investment Committee's main responsibilities with regards to Company's investment policy can be summarized as follows:

- Provide a general framework for the Company's investment decisions;
- Define the markets and financial instruments in which the Company shall operate in;
- Provide a list of investment choices which should be avoided or preferred over others;
- Deal with any other matters relating to the Company's investment policy.

2.5 Number of directorships held by members of the Board

The table below provides the number of directorships the members of the Board of the Company hold at the same time in entities other than the Company (*including the directorship held in the Company*). Directorships held within the same group of companies are considered as a single directorship. In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered for the purposes of the below.

Table 2: Board of Directors as at 31.12.2023

| Name of Director | Executive Director/ Independent Non-Executive Director | Executive Directorships | Non-Executive Directorships |
|--------------------------|---|--------------------------------|------------------------------------|
| <i>Evanthia Kania</i> | Executive Director | 1 | 0 |
| <i>Irina Chuprynenko</i> | Executive Director | 1 | 2 |
| <i>Adamos Kitros</i> | Executive Director | 1 | 0 |
| <i>Andreas Aloneftis</i> | Independent Non-Executive Director | 0 | 4 |

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

The Company's directors should not hold more than one of the following combinations of directorships at the same time:

- One executive directorship with 2 non-executive directorships; or
- Four non-executive directorships.

The Company is aware of excessive directorships of one of its non-executive directors and initiated the process to rectify the situation.

2.6 Reporting and Control

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow on risk to the management body, as can be seen below:

| Report Name | Owner | Recipient | Frequency |
|--|--|------------------|------------------|
| Annual Risk Management Report | Risk Manager | BoD, CySEC | Annual |
| Form 165-01 (IFR Reporting) | Risk Manager | BoD, CySEC | Quarterly |
| Public Disclosures Report | Risk Manager | BoD, Public | Annual |
| Public Disclosures External Auditor's Verification Report | External Auditor | BoD, CySEC | Annual |
| ICARA Report | Risk Manager | BoD | Annual |
| Prudential Supervision Information Form (Form 165-03) | Risk Manager, Finance Department | BoD, CySEC | Annual |
| Recovery Plan & Form 20-01 | Risk Manager | BoD, CySEC | Every two years |
| Annual Compliance Report | Compliance Officer | BoD, CySEC | Annual |
| Annual Internal Audit Report | Internal Auditor | BoD, CySEC | Annual |
| Annual Anti-Money Laundering Report | Anti-Money Laundering Compliance Officer | BoD, CySEC | Annual |
| Financial Reporting | External Auditor | BoD, CySEC | Annual |

4. BOARD RISK DECLARATION

The Board of Directors' primary role is to formulate the Company's strategy and to ensure that the Company operates within that strategy, whilst complying with its regulatory obligations and operating within an acceptable level of risk. Furthermore, the Board is responsible for evaluating the Company's

risk appetite and risk bearing capacity, as well as ensuring that the capital maintained is sufficient given the risks borne by the Company's operations.

The Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy and appropriate risk management tools, properly resourced and skilled, to avoid or minimise loss.

5. BOARD APPROVED RISK APPETITE STATEMENT

The Company's strategic objective is the provision to international institutional investors with access to the Russian capital markets and the introduction of Russian corporates to the international capital markets. The Company operates with a strong customer focus and provides simple, transparent products which aim to deliver value for customers. The Company's strategy is pursued within efficient risk management practices that formulate the Risk Appetite of the Company.

The Board expresses the Company's Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across three categories:

- **Financial:** Credit, Market, Liquidity risks
- **Operational:** Operations, Human, IT risk
- **Compliance:** Regulatory risk

Risk appetite measures assist in managing profit volatility within assigned limits which are agreed with the parent Company on a frequent basis and when deemed necessary. The limits seek to ensure that the Company remains profitable under severe market or economic stress conditions.

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

The Company's risk appetite statement is reviewed at least annually and is updated when deemed necessary.

The following table sets out a number of the key measures used to monitor the Company's risk profile:

| Risk Area | | Metric | Comment | Measure as at 31/12/2023 |
|----------------|------------|------------------------|---|--|
| Financial Risk | Capital | Capital Adequacy Ratio | The Company targets a Common Equity Tier 1 (CET-1) ratio above the regulatory guidance threshold of 56% and not below 100% as per new IFR framework. The strategic capital plan ensures above regulatory guidance threshold. | CET-1 ratio at: 1,567% Total Capital Ratio at: 1,567% |
| | Credit and | a) Unsettled | The Company has strong | UT ≥ 5d /TA = |



| | | | | |
|-------------------------|---|--|--|---|
| | concentration Risk | trades (over 5d)/Total Assets b) Value of unsettled trades term limit \leq 5 days | credit management controls and manages exposures to counterparties according to its risk appetite. Zero unsettled trades over 5 days confirms the risk appetite towards counterparty exposures. | 0% |
| | Market Risk | Stop loss limits: a) Daily Stop loss limits: Max limit €100 thousand b) Weekly stop loss limits (5 days) Max Limit €150 thousand | The Company often holds securities for inventory purposes and arbitrage. The Company trades a range of Russian and European stocks in the form of ADRs. Control is achieved with stop loss limits within specified limits. | No limit breaches |
| | Liquidity Risk | 1/3 of Fixed Overheads Requirement | According to new IFR framework investment firms under class 2 shall hold an amount of liquid assets equivalent to at least 1/3 or 33% of the Fixed Overhead Expenses | Liquid assets /Fixed Overhead Expenses = 373% |
| Operational Risk | <ul style="list-style-type: none"> ▪ The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. There is a procedure for the identification and effective management of incidents and problems. ▪ or remote access, Windows Virtual Desktops are created that duplicate office PC workstation functions and setup office tools, trading terminals, back office, etc. Virtual Desktop is accessible as a remote screen from any web browser, PC and mobile application. On-premise infrastructure databases and documents are accessible from virtual desktops. All workstation telephone lines of the office are forwarded to the mobile phones of the respective employee. ▪ An electricity generator is available in order to ensure business continuity. ▪ Company will continue to be fully compliant with labour laws and health and safety regulations, as well as update its operations manual with new procedures when deemed necessary. ▪ In addition, the Company intends to retain its four eyes principal in settling transactions and enhance its monitoring on employees through such actions as maintenance of an insider trading policy and regular updates of restricted equities list, in order to prevent any legal risks. ▪ Moreover, the Company will continue holding its client assets with reputable institutions and perform regular reconciliations with custodians. ▪ System security risk will continue to be mitigated by a set of controls which consist of regular change of system passwords, immediate support agreement with a third- | | | |

| | |
|------------------------|---|
| | <p>party provider, antivirus, penetration tests and regular back- ups in disaster recovery site.</p> <ul style="list-style-type: none"> ▪ All measures are within appetite at year-end. |
| Compliance Risk | <ul style="list-style-type: none"> ▪ The Company is dedicated to continuously enhancing and implementing policies and procedures based on the latest regulatory requirements issued by CySEC. To this respect, the Company has a strong Compliance Function that implements a number of controls in relation to compliance with the relevant laws and regulations and monitors employees on a regular basis. ▪ Staff receives regular training on compliance issues and policies and procedures are updated in line with new regulations. ▪ Objective is to fulfil all regulatory compliance requirements and ensure that the Company maintains its reputation amongst various stakeholders. ▪ All measures are within appetite as at the reference date. |

6. REGULATORY LIMITS

Under the IFR/IFD, the Company shall at all times satisfy the following regulatory own funds requirements:

1. A **Common Equity Tier 1 ("CET1") ratio of at least 56%**, where CET1 ratio is the Company's CET1 capital expressed as a % of its total Own Funds Requirement*;
2. A **Tier 1 (CET1+AT1) ratio of at least 75%**, where Tier 1 ratio is the Company's Tier 1 capital expressed as a % of its Own Funds Requirement*;
3. A **Total ratio (Tier 1 and Tier 2) ratio of 100%**, where total capital ratio is the Company's own funds expressed as a % of its total Own Funds Requirement*.

* **Note:** For GPBFS, the Own Funds Requirement is given as the greatest of: (i) the Permanent Minimum Capital Requirement of EUR 750,000 (or USD equivalent); (ii) the Fixed Overheads Requirement; and (iii) the K-Factors Requirement.

In addition to the capital requirements, under the new IFR, the Company is obliged to hold liquid assets equal to or greater than its Liquidity Requirement.

The Liquidity Requirement is equal to the sum of:

- A third of the Company's fixed overheads capital requirement (so a twelfth of the Company's fixed overheads in the preceding year); and
- 1.6% of the value of any customer guarantees given by the Company (if applicable).

7. OWN FUNDS

The following information provides a reconciliation between the balance sheet presented in the Audited Financial Statements for the year ended 31.12.2023 and the balance sheet prepared for prudential purposes.

The Company shall disclose the composition of its own funds, in accordance with the provisions of Article 49 (1) of the IFR and templates included in Annex VI of the European Commission Regulation (EU) 2021/2284.

As at 31 of December 2023, the Company's Own Funds comprised of CET1 capital. As shown below, the Company's Own Funds as at 31 December 2023 amounted to \$33.723K.

Table 3: Composition of regulatory own funds of GPBFS based on Template EU IF CC1.01

| <i>Common Equity Tier 1 (CET1) capital: instruments and reserves</i> | | <i>31.12.2023 USD '000s</i> | <i>Source based on reference numbers/letters of the balance sheet in the audited financial statements</i> |
|--|--|---------------------------------|---|
| 1 | OWN FUNDS | 33,467 | |
| 2 | TIER 1 CAPITAL | 33,467 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 33,467 | |
| 4 | Fully paid-up capital instruments | 5,301 | Ref. 1 (Shareholders' Equity) |
| 5 | Share premium | 0 | |
| 6 | Retained earnings | 29,950 | Ref. 1 (Shareholders' Equity) |
| 8 | Other reserves | 0 | |
| 12 | (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | -3,063 | |
| 17 | (-) Losses for the current financial year | -1,784 | Ref. 2 (Income Statement) |
| 19 | (-) Other intangible assets | -62 | Ref. 2 (Assets) |
| 23 | (-) CET1 instruments of financial sector entities where the institution does not have a significant investment | -9 | Ref. 6 (Assets) |
| 27 | CET1: Other capital elements, deductions and adjustments | -70 | Ref. 3 & 8 (Assets) |
| 28 | ADDITIONAL TIER 1 CAPITAL | 0 | |
| 40 | TIER 2 CAPITAL | 0 | |

Table 4: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements based on Template EU IFCC2

| | <i>Balance sheet as in audited management accounts</i> | <i>Cross reference to EU IF CC1</i> |
|---|--|-------------------------------------|
| | <i>31/12/2023 (AUDITED) USD '000s</i> | <i>31/12/2023 (AUDITED)</i> |
| Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements | | |
| Intangible Assets (Non-current assets) | 62 | Ref. 19 |
| Property, plant and equipment (Non-current assets) | 147 | |
| Deposit with Investors' Compensation Fund (Non-current assets) | 70 | Ref. 27 |
| Trade and other receivables (current assets) | 610 | |
| Financial assets at fair value through profit or loss | 1,023 | Ref. 23 |
| Refundable tax (Current Assets) | | |
| Cash at bank and in hand (Current Assets) | 31,801 | |
| Total Assets | 33,723 | |

| Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements | | |
|--|---------------|-------------|
| Lease Liabilities (Non-current liabilities) | 138 | |
| Trade and other payables (Current liabilities) | 118 | |
| Lease Liabilities (Current liabilities) | | |
| Total Liabilities | 255 | |
| Shareholders' Equity | | |
| Share Capital | 5,301 | Ref. 4 |
| Retained earnings | 29,951 | Ref. 6 & 17 |
| Total Shareholders' equity | 33,467 | |
| Total Equity and Liabilities | 33,723 | |

8. OWN FUNDS REQUIREMENTS

The new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

8.1 Capital Ratios

The Total Own Funds Requirement for the Company for the year 2023 totals to USD 2,125K, as shown in the below table. The Total Capital Ratio of the Company amounted to 1,567% as at 31.12.2023, which far exceeded the minimum required threshold of 100%, and provided for a capital surplus of \$31.192K.

Table 5: Total Own Funds Requirement, capital ratios and capital levels based on IFR¹

| in USD '000s | 31.12.2023 ¹ |
|---|-------------------------|
| Available Eligible Own Funds² | 33,316 |
| Own Funds Requirement, higher of: | 829 |
| 1. Permanent Minimum Capital Requirement | 829 ³ |
| 2. Fixed Overhead Requirement | 400 |
| 3. Total K-factor Requirement | 2,125 |
| CET-1 Ratio (min. regulatory is 56% based on new IFR) | 1,567% |
| Surplus/(Deficit) over CET-1 Ratio | 31,192 |
| Tier 1 Ratio (min. regulatory is 75% based on new IFR) | 1,567% |
| Surplus/(Deficit) over CET-1 Ratio | 31,192 |
| Total Capital Ratio (min. regulatory is 100% based on new IFR) | 1,567% |
| Surplus/(Deficit) over CET-1 Ratio | 31,192 |

Notes:

¹ Based on Audited Financial Statements for the year ended 31.12.2023

² Own Funds consist of CET1 instruments only (i.e., no AT1 instruments, no Tier 2 instruments)

³ Permanent Minimum Capital Requirement of EUR 750,000 has been converted in USD (based currency) with the exchange rate of 1.1050 as at 29.12.2023

8.2 Permanent Minimum Capital Requirement

As further explained in Section 6 above, the Company shall maintain a Permanent Minimum Capital Requirement of EUR 750K (or USD equivalent as per the base currency of the Company).

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of EUR 750K. However, the Company's reporting currency is USD so, as at the reference date, this translates to about USD 829K (EUR/USD exchange rate at 1.1050 as at 31.12.2023), which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

8.3 Fixed overheads requirement

In accordance with Article 13 of the IFR, the fixed overheads requirement of an investment firm shall amount to at least one quarter of the fixed overheads of the preceding year. The fixed overheads are deducted by variable expenses, which are listed in the December 2020 Regulatory Technical Standards (RTS) issued by EBA.

The Company's Fixed Overhead Requirement as at 31 December 2023 amounted to \$400K, as shown in the below table.

Table 6: Calculation of Fixed Overheads Requirement as at 31.12.2023

| | 31.12.2023 |
|---|--------------|
| | USD '000s |
| Fixed Overhead Requirement | 400 |
| Annual Fixed Overheads of the previous year after distribution of profits | 1,600 |
| Total expenses of the previous year after distribution of profits¹ | 2,105 |
| of which: Fixed expenses incurred on behalf of the investment firm by third parties | 0 |
| (-) Total Deductions | (505) |
| (-) Staff bonuses and other remuneration | 0 |
| (-) Employees', directors' and partners' shares in net profits | 0 |
| (-) Other discretionary payments of profits and variable remuneration | (231) |
| (-) Shared commission and fees payable | 0 |
| (-) Fees, brokerage and other charges paid to CCPs that are charged to customers | 0 |
| (-) Fees to tied agents | 0 |
| (-) Interest paid to customers on client money where this is at the firm's discretion | 0 |
| (-) Non-recurring expenses from non-ordinary activities | (273) |
| (-) Expenditure from taxes | (10) |
| (-) Losses from trading on own account in financial instruments | 0 |
| (-) Contract based profit and loss transfer agreements | 0 |
| (-) Expenditure on raw materials | 0 |
| (-) Payments into a fund for general banking risk | 0 |
| (-) Expenses related to items that have already been deducted from own funds | 0 |
| Projected fixed overheads of the current year² | 2,105 |
| Variation of fixed overheads (%) | 0.00% |

Notes:

¹ Total Expenses represent the total expenses of the Company based on the Audited Financial Statements for the year ended 31.12.2023.

² Projected fixed overheads (for the year ended 31.12.2024) are based on the Company's capital planning.

8.4 “K-factor” Capital Requirement

The IFR/ IFD set the totally new approach for the investment firms’ risks calculation. The K-factor Requirement is implemented, which is based upon the risk exposure indicators (“K-factors”), capturing not only the balance sheet risks but P&L risks as well. The K-factors Requirement amounts to at least the sum of the following:

1. **Risk-to-Client (RtC) K-factors**, which 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).
2. **Risk-to-Market (RtM) K-factors**, which capture net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013 or, where permitted by the competent authority, based on the total margins required by an investment firm’s clearing member (K-CMG). The Company doesn’t deal on own account through clearing members, so it uses the K-NPR to calculate its market risk capital requirements.
3. **Risk-to-Firm (RtF) K-factors**, which capture an investment firm’s exposure to the default of their trading counterparties (K-TCO) in accordance with simplified provisions for counterparty credit risk based on Regulation (EU) No 575/2013, concentration risk in an investment firm’s large exposures to specific counterparties based on the provisions of that Regulation that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm’s daily trading flow (K-DTF)

As shown in the below table, the total K-Factor requirement as at 31st December 2023 amounted to \$2,097K, broken down by each applicable k-factor.

Table 7: Total k-factor requirement as at 31.12.2023

| In USD '000s | K-factor Requirement |
|--|----------------------|
| | 31.12.2023 |
| Risk to client | 28 |
| Assets under management | 0 |
| Client money held - Segregated | 18 |
| Client money held - non-segregated | 0 |
| Assets safeguarded and administered | 10 |
| Client orders handled - Cash trades | 0 |
| Client orders handled - Derivatives Trades | 0 |
| Risk to market | 2,097 |
| K-Net positions risk requirement | 2,097 |
| Clearing margin given | 0 |
| Risk to firm | 0 |
| Trading counterparty default | 0 |
| Daily trading flow - Cash trades | 0 |
| Daily trading flow - Derivative trades | 0 |
| K-Concentration risk requirement | 0 |
| TOTAL K-FACTOR REQUIREMENT | 2,097 |

Applicable K-factors for the Company and mitigating controls in place

This section sets out the Company's objectives and policies to manage each k-factor risk that arises from its activities and operations, as well as the strategies and processes it has put in place in order to manage and mitigate each such risks.

1. Risk to Client (RtC)

➤ K-AUM (Assets Under Management)

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. ***During the year under review, the Company was not subject to the risk relating to this K-factor since the Company did not offer the investment services of "Portfolio management" and "Investment Advice" during the year ending 31 December 2023.***

➤ K-CMH (Client Money Held)

K-CMH captures the risk of potential harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to the client money via a third-party mandate. ***Based on the reference year, as part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.***

Mitigating and monitoring principles

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Such monies are classified as "segregated client funds" in accordance with the CySEC regulatory requirements. Segregated client money accounts hold statutory trust status, according to regulatory requirements, restricting the Company's ability to control the monies and accordingly such amounts are not presented on the Company's statement of financial position.

➤ K-ASA (Assets Safeguarded and Administered)

K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts. ***During the year under review, the Company offered safeguarding services and was therefore subject to the risk relating to K-ASA for these client trades.***

Mitigating and monitoring principles

The Company safeguards the real equity positions of its clients in accordance with the rules prescribed by the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. The Company has selected a reputable sub-custodian, and neither it nor its general creditors have any right to sell, attach, or create a security interest in any financial instruments held, neither in case of the sub-custodian's insolvency nor otherwise.

➤ **K-COH (Client Orders Handled)**

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders. ***During the year under review, the Company did not proceed with the reception, transmission and execution of orders for clients; therefore, no capital requirement arose from the COH k-factor.***

Mitigating and monitoring principles

Despite that the Company was not exposed to COH risks, it is noted that the Company has arrangements and processes in place by which it assesses the liquidity providers and execution venues on which it relies upon to execute its client orders and that it monitors the credit standing and overall position of these parties so as to ensure that the risk of losses arising for the client as a result of the failure of such a party to execute a transaction, is minimized to the greatest extent possible. Furthermore, similarly to the aforementioned K-factors, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD and the relevant regulatory authority.

2. Risk to Market (RtM)

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Company's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk comprises of equity risk, interest rate risk, foreign exchange risk and commodity risk. There are two K-factors that capture the principal risks under RtM:

➤ **K-NPR (Net Position Risk)**

This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with CRR. Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-trading book interest rates, nontrading book foreign exchange rates). Exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. ***Based on the reference year, this K-factor is applicable to the Company.***

Mitigating and monitoring principles

❖ **Currency Risk**

Currency (or Foreign Exchange) risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, and arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the Company's functional currency (i.e., the US Dollar).

Foreign currency exposure is controlled with limits on deposits in foreign currency. The Company's policy prohibits foreign currency positions for more than one day and not related to the standard settlement requirements of securities trading or to positions hedging. Furthermore, the Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

❖ **Interest Rate Risk**

Interest rate risk is the risk that the value of interest rate bearing assets/liabilities will fluctuate due to changes in interest rates. Interest rate risk is not considered material, since the effect of a small shift of the base interest rate will not have a material impact on the overall results of the Company. The Company has interest rate-bearing assets, which mainly comprise of short-term deposits. The Company ensures that it obtains competitive market interest rates for its deposits and for its credit line facility with its parent company.

Furthermore, as at 31 December 2023 the Company did not hold any open positions in fixed income bonds.

From time to time the Company may hold fixed income instruments which can expose it to Interest rate risk. As a mitigating measure against Issuer Risk, the Company does not hold the bonds until maturity, while its bond positions relate to liquid blue-chip Eurobonds. At the same time, position limits and stop loss limits are in place.

❖ **Equity Risk**

The Company is exposed to equity risk from fluctuations in security prices in relation to securities held. The risk arising from changes in securities prices is managed through diversifications of the investment portfolio and short-term holding of securities. In certain circumstances, the Company may take positions as part of corporate brokerage transactions being conducted on behalf of clients where this is related to the wider activities of facilitation of agency broking. Such positions are carefully monitored and may only be taken within the limits applied to the overall long or short positions permissible, as well as a limit on positions in a single stock.

➤ **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of

IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. ***Based on the reference year, this K-factor is not applicable to the Company due to the nature of its operations.***

3. Risk to Firm (RtF)

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF). There are three K-factors that capture the key aspects of RtF, namely:

➤ K-TCD (Trading Counterparty Default)

K-TCD means the exposures in the trading book of an investment firm in specific instruments and transactions giving rise to the risk of trading counterparty default. This methodology replaces the old Counterparty Credit Risk that used to be applicable under the old framework, CRR. The Company, throughout the year under review, was exposed as a result of its repo and reverse repo transactions performed with its parent company, which are booked in the Trading Book.

Mitigating and monitoring principles

The Company mitigates its exposure to K-TCD by arranging the trades to be performed back-to-back and through the use of a Master Netting agreement.

More specifically, the Company enters into repo and reverse repo transactions under an International Securities Market Association (ISMA) Global Master Repurchase Agreement. In general, under this agreement all amounts in the same currency payable by each party to the other under any transactions or otherwise under the said agreement on the same date shall be combined in a single calculation of a net sum payable by one party to the other and the obligation to pay that sum shall be the only obligation of either party in respect of those amounts. Therefore, the Company has currently a legally enforceable right to offset recognized amounts.

➤ K-DTF (Daily Trading Flow)

K-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 considered in the scope of COH. No similar risk was captured under the old regime, CRR. DTF aims to capture the operational risks from an investment firm's daily trading flow. ***The Company is exposed to DTF due to the fact that it executes its trades on a principal basis (i.e., dealing on own account).***

Mitigating and monitoring principles

As previously mentioned, DTF aims to capture the operational risks from an investment firm's daily trading flow. Similarly, to TCD and CMH previously mentioned, DTF is calculated and monitored on an ongoing basis, by the Dealing and Risk Department, and in case of a limit breach, actions are taken place to rectify the issue immediately.

➤ **K-CON (Concentration Risk)**

K-CON means the exposures in the trading book of an investment firm to a client or a group of connected clients the value of which exceeds the limits specified in the IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients. It is closely based on the CRR's large exposures regime (Large Exposures in the Trading Book Risk), with derogations for non-trading book exposures. ***Based on the reference year, the Company was not subject to the risk relating to this K-factor.***

9. CONCENTRATION RISK REQUIREMENT

Limits to large exposures are calculated as specified in the IFR/IFD, where a simplified application of the corresponding CRR requirements is used and apply to large exposures in the trading book only.

In general, the Company shall comply with the Large Exposure limits laid down below:

- An investment firm's limit with regard to the concentration risk of an exposure value, after taking into account the effect of the credit risk mitigation, with regard to an individual client or group of connected clients shall be 25 % of its own funds.
- Where the aforementioned client is an institution, or where a group of companies of connected clients include one or more institutions, the limit shall be the higher of 25% of the Company's own funds or EUR 150m.
- Where the amount of EUR 150m exceeds the 25% of the Company's own funds, the limit shall not be higher than 100% of the Company's own funds.

According to the IFR, where the limits are exceeded, the Company shall notify the authorities and meet the own funds requirement for the amount of excess of these limits (K-CON). The exposure value with regard to an individual client or group of connected clients shall not exceed:

- 500% of the investment firm's own funds, where 10 days or less have elapsed since the excess occurred;
- in aggregate, 600% of the investment firm's own funds, for any excesses that have persisted for more than 10 days.

The Company did not have any limit breaches as regards to the large exposures during the four quarters of 2023. The own funds requirement for the concentration risk remains zero.

10. LIQUIDITY REQUIREMENT

Liquidity risk is the possibility that, over a specific horizon, the Company will be unable to raise cash and meet its financial obligations. The Company enters in matched principal trading and agency business which do not expose it to significant Liquidity risk. The Company has procedures aiming to minimise such losses, such as maintaining sufficient cash and other highly liquid current assets.

Liquidity risk from matched principal trading is mitigated by settlement taking place on a Delivery vs Payment (DVP) basis or Free of Payment (FOP), where the counterparty pre-delivers/prepays securities/cash for a specified trade. In rare occasions, the Company pre-delivers/prepays securities/cash to a counterparty within approved limits. Matched principal trading exposes the Company to intraday and overnight liquidity funding. The Company should have secure funding to buy securities before those securities are sold for same-day settlement. The Company has access to intraday credit facility from its parent company to facilitate the settling of its trades on the agreed settlement date. In certain occasions, the Company utilizes its cash reserves allocated for trading purposes and for other business and liquidity events.

According to the IFR/IFD regulation, Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement, increased by 1.6% of the total amount of guarantees provided to clients.

The table below provides the information on the amount of the liquid assets of the Company as at 31.12.2023.

Table 8: Liquidity Requirement and level of Liquid Assets as at 31.12.2023

| Amounts in USD '000s | 31.12.2023 |
|---|--------------|
| Liquidity Requirement ¹ | 133 |
| Client Guarantees² | |
| Total Liquid Assets | 2,178 |
| Unencumbered short-term deposits | 1,619 |
| Total eligible receivables due within 30 days | 0 |
| Level 1 assets | 1 |
| Coins and banknotes | 1 |
| Withdrawable central bank reserves | 0 |
| Central bank assets | 0 |
| Central government assets | 0 |
| Regional government/local authorities' assets | 0 |
| Public Sector Entity assets | 0 |
| Recognisable domestic and foreign currency central government and central bank assets | 0 |
| Credit institution (protected by Member State government, promotional lender) assets | 0 |
| Multilateral development bank and international organisations assets | 0 |
| Extremely high-quality covered bonds | 0 |
| Level 2A assets | 0 |

| | |
|---|------------|
| Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %) | 0 |
| Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %) | 0 |
| High quality covered bonds (CQS2) | 0 |
| High quality covered bonds (Third Country, CQS1) | 0 |
| Corporate debt securities (CQS1) | 0 |
| Level 2B assets | 0 |
| Asset-backed securities | 0 |
| Corporate debt securities | 0 |
| Shares (major stock index) | 0 |
| Restricted-use central bank committed liquidity facilities | 0 |
| High quality covered bonds (RW35 %) | 0 |
| Qualifying CIU shares/units | 0 |
| Total other eligible financial instruments | 558 |

Notes:

¹ Liquidity Requirement is calculated as the 1/3 of the Fixed Overhead requirement during the year of 2023.

² No client guarantees were given by the Company during 2023.

11. OTHER RISKS

11.1 Regulatory Risk

Regulatory risk is the risk that may arise if a change in regulations occurs, which negatively affects the business of the Company. Regulatory risk may also arise when a company does not comply with the applicable regulatory requirements. The Company acknowledges the fact that it is exposed to Regulatory risk, since it operates in a highly regulated industry. Regulatory risk exposes the Company mainly to financial loss due to fines, civil action, payment of damages and the voiding of contracts. To this respect, the Compliance Officer oversees and ensures full compliance of the Company with the relevant CySEC regulation requirements and monitors employees on a regular basis. In addition, the Company uses independent internal and external auditors to assess its regulatory developments and has in place policies to ensure compliance with all regulatory requirements.

11.2 Operational Risk (other than daily trading flow)

Generally operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can be described as the potential risk for loss as a consequence of human failure or the failure of a process and/or technology, as well as external events incurred while pursuing the Company's objectives.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. Upon detection of an incident, handling of the incident has first priority. All department managers are responsible for the proper handling, documentation and reporting of the incidents. The primary operational risk incidents relate to system interruptions. For this reason, the Company has in place backup facilities on cloud environment and also

backup systems within its office that enable recovery of all pending transactions, provide access to customers' accounts, and ensure continuous trading. Furthermore, the Company outsources its IT function to a specialized IT provider who is responsible for maintenance of hardware and internet usage.

11.3 Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding a financial organisation's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. In particular, reputational risk can materialize in the case of noncompliance with regulations, a breach of ethical values or the perception by the customer of an unfavourable discrepancy between the commercial offering and the reality of staff's practices.

The Company manages its reputational risk through corporate governance and internal controls ensuring that:

- The Company controls all marketing communication that goes out to the public and stays up to date with new regulatory requirements and obligations in an effort to maintain a strong reputation. In addition, it obtains legal opinions on new jurisdictions in which it wants to operate to ensure that it doesn't violate any laws. According to the third country's requirements, it adjusts its marketing material accordingly.
- The Company has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to clients.
- Furthermore, employees are bound by confidentiality policies and there are several controls to minimize the risk of internal fraudulent activity not being spotted/prevented.
- In addition, the management ensures that the Company is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

11.4 Business Risk

Business risk is a distinct type of risk that is not captured in the course of the IFR Own Funds Requirement and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Company manages strategic risk through its normal conduct of business, while business risk is further examined in the course of the annual ICARA.

12. REMUNERATION DISCLOSURES

The Company was identified and categorized by CySEC as a "Significant CIF" in early 2022. In this respect, and in order for the Company to be in full compliance with its obligations against the provisions of Law 165 (I)/2021, it proceeded with the establishment of a Remuneration Committee. The composition and responsibilities of the Remuneration Committee were described in Section 2.4 above.

The Company's Remuneration Policy (the "Policy") forms an integral part of its corporate governance and is developed in accordance with its operational model and strategy. The Policy has been drafted in line with ESMA's "Guidelines on Remuneration Policies and Practices (MiFID)", the EBA's "Guidelines on sound remuneration policies under Directive (EU) 2019/2034" and CySEC's Consolidated Directive DI144-2014-14 on the Prudential Supervision of Investments Firms.

The Policy aims to ensure that employees' compensation is enough to retain and attract individuals with appropriate skills and experience, and that it is in line with the business strategy, objectives, values and long-term interests of the Company. The Policy also aims to mitigate any conflicts of interest that may arise from the compensation packages that are given to the Company's employees. In addition, remuneration is designed so that it does not encourage risk-taking that exceeds the Company's approved risk tolerance.

Accordingly, the operating standards and mechanisms which have been adopted ensure that the level of reward provided to employees are directly linked to the desired behaviors and results, as defined by the BoD as well as the Company's documented policies and procedures.

Even though the Policy applies to all Company employees, the Company wishes to take a more specific risk approach by identifying and assigning higher emphasis and responsibility to persons whose professional activities have a significant impact on the Company's risk profile (i.e. front-office staff, back-office department, Head of Accounting, Senior Management, Risk Manager and Compliance/AML Officer).

The Company has established a competitive compensation package which balances the employees' career advancement opportunities while at the same time seeks to mitigate or eliminate any potential conflicts of interest incidents.

The remuneration package provided by the Company consists of various components, none of which motivates excessive risk taking by any of the members of staff or management.

The remuneration components are:

Fixed remuneration

Fixed remuneration is determined on the basis of the role of the individual employee, including responsibilities and job complexity, performance and local market conditions. Furthermore, fixed remuneration takes into consideration each individual's "work" characteristics, including:

- Skills and competencies required to generate results

- Relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment
- Contribution to the team and the Company as a whole, and
- The value and contribution of the individual in the context of the external market.

In respect of the above, the General Manager may perform annual reviews of the fixed remuneration of the employees, following which, a recommendation for salary increases may be made to the BoD.

Variable remuneration

If the Company decides to proceed with the variable elements of remuneration, then the Company must set the appropriate ratios between the fixed and the variable component of the total remuneration and the following principles shall apply:

- The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.
- Shareholders of the Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.
- Any approval of a higher ratio of variable remuneration above 100% of the fixed component of remuneration must be carried out in accordance with the following procedure:
 - A detailed recommendation by the Company shall be provided to the shareholders giving the reasons for, and the scope of, an approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;
 - Shareholders must act by a majority of at least 66% provided that at least 50% of the shares or equivalent ownership rights are represented or, failing that, must act by a majority of 75% of the ownership rights represented;
 - The Company must notify all shareholders, providing a reasonable notice period in advance, that an approval of a higher ratio of variable component of remuneration exceeding 100% of the fixed component of employee(s) will be sought;
 - The Company must, without delay, inform CySEC of the recommendation to its shareholders, including the proposed higher maximum ratio and the reasons therefore and must be able to demonstrate to the Commission that the proposed higher ratio does not conflict with the Company's obligations under the DI144-2014-14 and under IFR, having regard in particular to the Company's own funds obligations;
 - The Company must, without delay, inform CySEC of the decisions taken by its shareholders, including any approval higher maximum ratio than 100%, and the CySEC must use the information received to benchmark the practices of the Company's in this regard.
 - Staff who are directly concerned by the higher maximum levels of variable remuneration up to 200% must not, where applicable, be allowed to exercise, directly or indirectly, any voting rights they may have as shareholders;
 - The Company may apply the discount rate to a maximum of 25% of total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years;

- Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct;
- Remuneration packages relating to compensation or buy out from contacts in previous employment must align with the long-term interest of the Company including retention, deferral, performance and clawback arrangements;
- The measurement of the performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required;
- The allocation of the variable remuneration components within the Company must also take in to account all types of current and future risks;
- The total variable remuneration shall generally be considerably contacted where subdued or negative financial performance of the Company occurs, taking into account both current remuneration and reductions in pay-outs of amounts previously earned, including through malus or clawback arrangements, etc.

Performance-based remuneration:

In addition to a fixed component, the Company also offers a performance-based remuneration.

The Company seeks to ensure that performance-based pay is awarded by ensuring that:

- An appropriate balance exists between fixed and performance-based components;
- The fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible;
- The above variable elements of remuneration criteria are met where applicable.

Performance-based remuneration is granted to reflect the individual employee's performance. In this respect, as it is the case for fixed remuneration, the General Manager performs an annual employee evaluation/assessment based on which the proposal for the performance-based pay is formulated.

Employees in control functions, including Compliance and Risk Management, are also eligible for performance-based pay. Performance-based remuneration is based on the value added brought to the Company from the control and risk management procedures and improvements that are set in place and contribute to the Company's successes. It is noted that the remuneration of persons in such positions is independent from the performance of the business area which they monitor/control (i.e., the income generated by the business area).

As regards to the amount of performance-based remuneration, the General Manager makes a recommendation to the BoD, which the BoD later considers and either approves or rejects. The Company maintains full records of the minutes of the meeting of the Board in which these decisions are taken to promote and maintain full transparency.

Other benefits such a medical cover is offered to all employees of the Company covering their dependents as well (spouse and up to two children).

Pension Policy and Severance Payments Policy

The Company does not have a Pension Policy nor does it maintain a Severance Payments Policy. In the event of severance payments, these will be payable in accordance with the applicable employment laws at the time.

Aggregate Remuneration

During 2023, the remuneration structure offered by the Company to management and staff comprised of a fixed salary cash component and non-cash benefits including medical insurance. The Company also paid bonus in the form of cash to reward outstanding employee performance during the year. Information on the aggregate remuneration to Senior Management and staff whose actions have a material impact on the risk profile of the Company as at 31 December 2023 is provided in the following table:

Table 9: Aggregate Annual Remuneration as at 31.12.2023 (in USD '000s)

| Remuneration as at 31st December 2023 | No. of beneficiaries | Annual Remuneration (USD) | | |
|--|-------------------------|---------------------------|---------------------------|-------------|
| | | Fixed | Variable (All in cash) | TOTAL |
| Senior Management | 8 | 739 | 220 | 959 |
| Heads of Departments & other staff | 4 | 108 | 112 | 119 |
| Total | 12 | 847 | 231 | 1078 |

Notes:

1. Senior Management personnel includes the Board of Directors and the Head of each department.
2. Other Staff includes Senior Officers whose actions have a material impact on the risk profile of the Company.

13. INVESTMENT POLICY DISCLOSURES

The Investment Policy of the Company is set up by the Investment Committee. The Committee is responsible for establishing investment guidelines and formulating the overall investment policy of the Company which is subject to approval by the BoD. At the current stage the Company adopts conservative investment approach. The Company's activities are mainly focused in cash equities and bonds. The Company is mainly concentrated on brokerage services. Own portfolio is limited to short term. The Company's primary investment objective is to increase its income generation, safety and growth of its capital and maximization of its capital gains.

In accordance with Article 52 of the IFR, Class 2 investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (like GPBFS) shall disclose the following information:

- 1) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
- 2) a complete description of voting behaviour in the general meetings of companies the shares of which are held, 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; and
- 3) an explanation of the use of proxy advisor firms;
- 4) the voting guidelines regarding the companies the shares of which are held.

However, investment firms shall disclose the abovementioned information **only**:

- (i) in respect of each company whose shares are admitted to trading on a regulated market;
- (ii) in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company.

It is noted that the Company during 2023, did not hold any investments, directly or indirectly, in companies whose shares are admitted to trading on a regulated market exceeding the 5% threshold of their voting rights.

As a result, the Company has no information to disclose in relation to its investments as per the requirements of Article 52 of the IFR.

14. ESG DISCLOSURES

As of 26 December 2022, investment firms whose value of on and off-balance sheet assets is on average equal to or more than EUR 100 million over the four-year period (like GPBFS), shall disclose information on Environmental, Social and Governance ("ESG") risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of IFD.

ESG Disclosures shall be disclosed once in the first year and biannually thereafter.

'Environmental, social or governance (ESG) risks' means the risk of losses arising from any negative financial impact on the Company stemming from the current or prospective impacts of ESG factors on the Company's counterparties or invested assets.

The next sub-section describes the Company's business strategy to integrate environmental, social and governance risks in its day-to-day operations management and risk management framework as well as the steps already taken, or to be taken, to mitigate such ESG risks.

14.1 Environmental Risks

14.1.1 Business strategy to integrate social factors and risks

'Environmental risk' means the risk of losses arising from any negative financial impact on the Company stemming from the current or prospective impacts of environmental factors on the institution's

counterparties or invested assets, including factors related to the transition towards the following environmental objectives:

- i. climate change mitigation;
- ii. climate change adaptation;
- iii. the sustainable use and protection of water and marine resources;
- iv. the transition to a circular economy;
- v. pollution prevention and control;
- vi. the protection and restoration of biodiversity and ecosystems.

Environmental risk includes **both physical risk and transition risk**.

‘Physical risk’, as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the Company stemming from the current or prospective impacts of the **physical effects of environmental factors** on the institution’s counterparties or invested assets.

‘Transition risk’, as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the Company stemming from the current or prospective impacts of the **transition to an environmentally sustainable economy** on the institution’s counterparties or invested assets.

The Company is assessing its ESG risks and if a material ESG risk has financial impact the Company will integrate environmental risks in its operations management and risk management framework.

14.1.2 Objectives, targets and limits

As mentioned in the previous section, the Company is working on establishing its ESG policy, which will also focus on developing the main objectives, targets and limits to assess and address environmental risks in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes.

In establishing its ESG policy, the Company will take into account a number of carbon reduction measures that could contribute to the reduction of carbon footprint in the future, including:

- installation of solar panels on own building premises;
- implementation of Energy Management system;
- increase initiatives for waste recycling;
- reduction of paper use; and
- use of hybrid or electric corporate vehicles.

As at 31st December 2023, the Company’s exposure to environmental risks is related to its trading book investments in non-financial corporates in carbon-related sectors (i.e., gold and copper producer). The Company has a minor equity investment in a company producing gold and copper, which represents approximately 0.2% of its total assets. As a result, the Company’s exposure to environmental risks is considered immaterial.

Going forward, the Company will continue assessing its trading book carbon-related exposures and disclose additional information, if needed, in accordance with the IFR/IFD framework and relevant EBA Guidelines.

14.2 Social Risks

14.2.1 Business strategy to integrate social factors and risks

‘**Social risk**’ means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of **social factors** on the institution’s counterparties or invested assets.

Examples of social risks include labor issues, human rights violations within the workforce, and corruption by company officials. Public health issues can also be a concern as they can impact absenteeism and worker morale.

The Company focuses on building a working environment for its employees that will promote their well-being and personal development. For this purpose, a Human Resource Policy was established aiming to address the identified social risks by setting up the Company’s Social Development Goals (“SDGs”) in relation to:

- Level of education of employees
- Incentives for professional qualifications of employees
- Compensation and benefits principles for employees, including maternity and paternity allowance, study and annual leaves;
- Discrimination and harassment policy;
- Remuneration policy.

14.2.2 Objectives, targets and limits

The Company’s objectives and targets under each social development goal described above relating to social needs and risks and their linkage with UN Global Compact is summarised in the table below:

| SDG | SDG Goal | SDG Description | SDG Target | KPIs | UN Global Compact |
|-----|--|--|---|--|---|
| 1 | Level of education of employees | Ensure quality education and promote lifelong learning opportunities for all | Ensure that all women and men have equal access to quality education (including required CPDs for CySEC purposes) | Number of employees who have attended on trainings as per their CySEC Certifications, gender, department and training subject. | Company aims to promote equal opportunities to women and men to be educated and to have a broader and more skilled pool of workers in the future. |



| | | | | | |
|---|---|--|--|--|--|
| | | | | | Therefore, there is a direct link with UN Global Compact: Principle 1 ("Businesses should support and respect the protection of internationally proclaimed human rights"). |
| 2 | Incentives for professional qualifications of employees | Promote incentives to employees for obtaining high-level education and professional qualifications | Ensure that all employees can have access to professional education and promote lifelong learning opportunities for all. | Total amount in USD spent for seminar courses or diplomas for employees. | Company aims to promote incentives to all employees to obtain professional qualifications and have access to education which will promote lifelong learning opportunities for all. Therefore, there is a direct link with UN Global Compact: Principle 1 ("Businesses should support and respect the protection of internationally proclaimed human rights"). |
| 3 | Compensation and benefits principles for employees | Promote workforce motivation | Ensure that all employees are pleased with working conditions and benefits | Number of annual and study leaves, maternity and paternity allowance | Company aims to promote equal access to working conditions and benefits. Therefore, there is a direct link |



| | | | | | |
|---|---|--|--|--|---|
| | | | | | with UN Global Compacts: Principle 1 ("Businesses should support and respect the protection of internationally proclaimed human rights") and Principle 6 ("the elimination of discrimination in respect of employment and occupation"). |
| 4 | Discrimination and harassment policy | Promote a "safe" working environment | Ensure that all employees/colleagues are treated with respect. | Number of meetings held between HR Department and employees to discuss cooperation between colleagues and management | Company aims to create a "safe" working environment in which all employees feel secure and respected. Therefore, there is a direct link with UN Global Compact: Principle 2 ("make sure that they are not complicit in human rights abuses"). |
| 5 | Remuneration policy | Promote sustained, inclusive and sustainable economic growth for all employees | Ensure that all employees are equally compensated by promoting the "gender equality" principle | Number of appraisal assessments performed | Company aims to promote wage gender equality among employees. Therefore, there is a direct link with UN Global Compact: Principle 6 ("the elimination of discrimination in respect of employment and occupation"). |

14.3 Governance Risks

14.3.1 Business strategy to integrate social factors and environmental risks in internal governance arrangements

‘Governance risk’ means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of ***governance factors*** on the institution’s counterparties or invested assets.

The Company has established internal governance arrangements which aim to align the company’s departments to the business goals and to maintain the efficient decision-making procedure, to ensure the independency of controls and compliance with the regulatory requirements. The Company’s Code of Business Conduct has been established with the aim to provide clients and affiliates to the best possible quality of services and solutions to their problems and is implemented on a firm-wide basis. The Company’s Code of Business Conduct is applicable to all the employees of the Company regardless of their positions and include but not limited to members of the Investment, Nomination, Risk and Remuneration Committees, the Board of Directors of the Company and managers of departments.

The Company’s Code of Business Conduct is based on the following principles:

- **Partnership:** Promote long term relations with clients and employees that are built on the principles of honesty, confidence and respect in each other.
- **Responsibility:** Carry out the obligations following best practices and methodologies; therefore, the Company remains liable for the results it delivers to its clients and business partners. The Company and its employees operate based on professional business ethics.
- **Openness:** All business proposals, information and services offered to clients are of comprehensive nature and do not contain obscure and ambiguous wording and schemes. In the event of any changes the client is informed immediately.
- **Integrity:** The decisions taken by the Company, which relate with the course of business, its clients or with its employees are free from any political or any other type of influence or pressure.
- **Security:** Maintain all information relating to clients and affiliates highly confidential. The employees of the Company do not use information related to the clients for personal purposes.

Additionally, the Company strengthens its governance framework with a number of policies (i.e., the Conflicts of Interest Policy, the Chinese Walls Policy, the Anti-Money Laundering and Terrorist Financing Policy).

14.3.2 Objectives, targets and limits

Although current efforts are concentrated towards the management of social and governance risks within the organization, the organizational set-up will be enhanced to include handling of ESG issues in the Company’s operations going forward.

In particular, going forward the Company will work on developing and implementing its ESG and climate strategy by establishing the following:

- Create an ESG working plan and monitor its progress;
- Develop the action plan for the implementation of the ESG and climate strategy;
- Establish the ESG and climate targets and Key Performance Indicators ("KPIs"); and
- Prepare ESG and climate-related reporting.

Furthermore, the role of the Risk Committee is expected to be enhanced in order to include also the following duties and responsibilities:

- Ensure compliance with emerging regulations on ESG risk management;
- Incorporate ESG risks in the Risk Management Framework, policies and procedures, including determining the principles that should govern the management of ESG risks through the establishment of appropriate Risk Policies/Procedures or updating existing ones.
- Establish the ESG and climate targets and KPIs;
- Establish an ESG heat map;
- Report to the BoD any current or emerging topics relating to ESG risks and matters, that may materially affect the business, operations, performance, or public image of the Company and if needed, create detailed action plans on how to deal with such risks/matters;
- Review and discuss with the management the overall ESG strategy, and whether the Company should initiate any additional actions regarding potential key ESG matters
- Review and monitor ESG-related KPIs and related goals and monitor the progress towards achieving targets and benchmarks.

15. APPENDIX 1 - TEMPLATE EU IF CCA: OWN FUNDS: MAIN FEATURES OF OWN INSTRUMENTS ISSUED BY THE FIRM

Table 10: Own funds: main features of own instruments issued by GPBFS (ordinary shares)

| | | |
|----|--|--|
| 1 | Issuer | GPB Financial Services Ltd |
| 2 | Unique identifier (Legal Entity Identifier code) | 213800NW35DTWHTMX505 |
| 3 | Public or private placement | Private |
| 4 | Governing law(s) of the instrument | Cyprus Company Law (Chapter 13) |
| 5 | Instrument type (types to be specified by each jurisdiction) | Ordinary Shares |
| 6 | Amount recognised in regulatory capital (EUR) | \$ 5.3 Million |
| 7 | Nominal amount of instrument | € 4.0 Million |
| 8 | Issue price | 1 |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | Feb-2009 \$1.5 Million Feb-2010 \$1.0 Million Apr-2010 \$2.5 Million |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 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 |
| | <i>Coupons / dividends</i> | N/A |
| 17 | Fixed or floating dividend/coupon | Floating |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| 21 | Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| 22 | Existence of step up or other incentive to redeem | No |
| 23 | Non-cumulative or cumulative | Non-cumulative |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible into | N/A |
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | No |
| 32 | If write-down, write-down trigger(s) | N/A |
| 33 | If write-down, full or partial | N/A |
| 34 | If write-down, permanent or temporary | N/A |
| 35 | If temporary write-down, description of write-up mechanism | N/A |
| 36 | Non-compliant transitioned features | No |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |

* 'N/A' indicates that the particular field is not applicable

16. APPENDIX 2 - SPECIFIC REFERENCES TO THE IFR

| IFR Reference (Article) | High Level Summary | Compliance Reference |
|--|--|-------------------------|
| Scope of Disclosure Requirements | | |
| 46 (1) | Requirement to publish disclosures for Class 2 IFs | 1.2 |
| 46 (2) | Requirement to publish disclosures for Class 3 IFs, issuing AT1 instruments | N/A |
| 46 (3) | Requirement to publish disclosures when a Class 3 IFs no longer meets the criteria to be considered a small and non-interconnected IF | N/A |
| 46 (4) | Determination of the appropriate medium and location to publish the disclosures | 1.2 |
| Risk management objectives and policies | | |
| 47 | Investment firms shall disclose their risk management objectives and policies for each separate category of risk, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy. | 2 |
| Governance | | |
| 48 (a) | Number of directorships | 2.5 |
| 48 (b) | Diversity Policy | 2.3 |
| 48 (c) | Risk Committee and number of times the risk committee has met annually | 2.4 |
| Own Funds Composition | | |
| 49 (1) (a) to (c) | Requirements regarding disclosure of own funds | 7 |
| 49 (2) | Requirements regarding disclosure of own funds based on EBA Templates (Regulation (EU) 2021/2284) | 7 |
| Own Funds Requirements | | |
| 50 (a) | Summary of the investment firm's approach to assessing the adequacy of its internal capital to support current and future activities | 2 |
| 50 (b) | Upon a request from CySEC, the result of the investment firm's internal capital adequacy assessment process, including the composition of the additional own funds based on the supervisory review process as referred to in point (a) of Article 39(2) of Directive (EU) 2019/2034 ("IFD") | N/A |



| | | |
|--|---|-----|
| 50 (c) | The K-factor requirements | 8 |
| 50 (d) | The fixed overheads requirement | 8 |
| Remuneration policy and practises | | |
| 51 (a) | Most important design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, pay out in instruments policy, deferral policy and vesting criteria | 12 |
| 51 (b) | Ratios between fixed and variable remuneration | 12 |
| 51 (c) | Aggregated 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 investment firm | 12 |
| 51 (d) | Information on whether the investment firm benefits from a derogation laid down in Article 32(4) of Directive (EU) 2019/2034 ("IFD") | N/A |
| Investment Policy | | |
| 52 (1) | Investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 ("IFD") disclose the following in accordance with Article 46 of this Regulation: <ul style="list-style-type: none"> (a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector; (b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with Article 52 (2) of the 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; (c) an explanation of the use of proxy advisor firms; (d) the voting guidelines regarding the companies the shares of which are held in accordance with article 52 (2) of the IFR | 13 |
| 52 (2) | The investment firm referred to in Article 52 (1) of the IFR shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended. | 13 |



| | | |
|---|--|----|
| 52 (3) | EBA, in consultation with ESMA, shall develop draft regulatory technical standards to specify templates for disclosure under Article 52 (1) of the IFR. | 13 |
| <i>Environmental, social and governance risks</i> | | |
| 53 | From 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034. | 14 |