EMERGO WEALTH LTD

(Regulated by the Cyprus Securities & Exchange Commission, License Number 232/14)

Pillar III Disclosures for the year ended 31 Dec 2020

Prepared on	30 April-2021

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Introduction

Emergo Wealth Ltd (hereinafter named "the Company") was incorporated in Cyprus on 6th December 2013 as a limited liability company under the Cyprus Companies Law, Cap. 113. The Company holds a license from the Cyprus Securities and Exchange Commission (hereinafter named "CySEC"), number 232/14 dated March 27, 2014 and, further, it has obtained a license extension on 25 June 2014, which permits the Company to operate as a Cyprus Investment Firm and to provide investment and ancillary services in relation to specific financial instruments.

The Company currently has the license to provide the following investment and ancillary services:

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Investment Advice
- Portfolio Management

Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments

Regulatory Framework

The information contained within this report has been prepared in accordance with the Part Eight of the European Regulation (EU) No. 575/2013 (the “Regulation”), the relevant requirements of the Directive DI144-2014-14 issued by CySEC for the prudential supervision of Investment Firms and the Directive 144-2014-15 on the discretions of CySEC arising from the Regulation, as amended.

The Company is exempt from providing any disclosures relating to leverage, under Article 95 (2) of the Regulation.

This report has been prepared by the Risk Manager of the Company and has been reviewed by the Board. While it is recommended to read this report in conjunction with the audited financial statements of the Company for the year ended 31 December 2019, the disclosures are prepared as a stand-alone document. The said disclosures are referred to as the “Pillar III Disclosures”.

Pillar III Disclosures focus on transparency and relates to the obligation of investment firms to publicly disclose information with respect to the Company’s capital and risk management structure, remuneration policies and policies and procedures in managing risks. Only the risks which the Company is exposed to are discussed.

Disclosure Policy

This Report is prepared annually and is available electronically on our website (www.emergowealth.net). According to Article 433 of the European Regulation (EU) No. 575/2013, the Pillar III disclosures shall be published at least on an annual basis and in conjunction with the date of publication of the financial statements. A hard copy of this Report is available upon request.

The information disclosed in the Report is presented in Euro (“€”).

Risk Management Framework & Governance

Risk management is a process involving the identification of exposures to risk, the establishment of appropriate ranges for exposures (based on the Company’s objectives and constrains), the continuous measurement of these exposures and the execution of appropriate adjustments whenever exposure levels fall outside of these target ranges. The Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that the Company identifies and manages its risks adequately. The Company establishes the necessary policies and procedures, sets, and monitors relevant limits and complies with the applicable legislation.

The main risks that the Company was exposed during the reporting period were Credit Risk, Business Risk and Operational Risks. Further elaboration to the Company’s risk exposures and strategies to mitigate these risks can be found on the following pages.

The principal responsibilities of the Board, the Senior Management, the Internal Auditor and the Risk Manager in relation to the management of the Company’s risks include the following:

- The Board reviews and discusses, during its meetings, the written reports prepared by the Risk Manager and identifies the risks faced by the Company
- The Company’s Senior Management also reviews the written reports prepared by the Risk Manager, applies the decisions of the Board with respect to risk management and monitors whether all the Company’s risk management procedures are followed
- The Internal Auditors evaluate the adequacy and effectiveness of the Company’s internal control systems, policies and procedures with respect to risk management
- The Risk Manager ensures efficient management of the Company’s risks in the provision of the investment and ancillary services to clients, as well as the risks underlying the operation of the Company, in general. Furthermore, the Risk Manager bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted as well as complying and implementing the provisions of the Law.

Moreover, the Risk Manager is responsible for making recommendations and whether the appropriate remedial measures have been taken in the event of any deficiencies identified, as aforementioned.

The responsibilities of the risk management function include, without limitation:

I. Establishing, implementing and maintaining adequate risk management policies and procedures; adopting effective mechanisms and processes to manage the risks that the Company is exposed
II. Monitoring the adequacy and effectiveness of the risk management policies and procedures, and the level of compliance while also, the effectiveness of measures taken to tackle the deficiencies
III. Training the personnel of the company on risk related issues
IV. Drafting written reports to the Senior Management and Board, making recommendations, and indicating whether appropriate remedial measures have been taken in the event of any deficiency.

A risk management report is prepared on an annual basis regarding the status of the Company's risk management policies and procedures and any remedial measures taken to tackle the deficiencies. The risk management report is presented to the Company's Board.

The risk management function is further strengthened by the following functions:

- Internal Audit
- Legal and Compliance Officer (including the AML and Terrorist Financing)
- Accounting and Finance

Roles and Responsibilities

Board

The Board has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The purpose of the Risk Management Framework is to provide a clearly defined and well documented risk management strategy that sets the Company's risk management objectives, principles, overall risk appetite and responsibilities across the company's staff. All procedures and rules, as required by CySEC, are approved by the Board.

Number of directorships held by members of the Board:

Name	Position within Emergo Wealth Limited	Directorships – Executive	Directorships – Non-Executive
Michael Hadjihannas	Managing - Executive Director	2	-
Dr. Mike Balm	Chief Executive Officer	9	1
Alfred Hendrikus Balm	Non - Executive Director	7	1
Savvas Orphanides	Independent Non - Executive Director	1	6
Andreas Savvides	Independent Non - Executive Director	1	2
Yiannis Soteriou	Non - Executive Director	1	6
Panayiotis Mavromichalis	Executive Director	1	1

Risk Management Committee

The Risk Management Committee has been formed with the view to ensure the efficient monitoring of the risks inherent in the provision of investment services to clients, as well as the risks underlying the operation of the Company in general, with the following mandate:

A. Forming Company's policy with respect the setting of limits and the terms for undertaking risks
B. Operates independently and is responsible for implementing the Risk Management policy
C. Ensuring that the Company has sufficient capital and reserves to support the risks undertaken
D. Confirming the adequacy of the limits set for the undertaking of risks.

The Risk Management Committee related actions during the reporting year, includes the following:

- Implementation of the Pillar III disclosures, for the reporting, 2019
- Restructuring of the Risk Management function
- Recruitment of a new Risk Officer
- Action plan for the upcoming year, 2021, taking into consideration the recommendation of Internal Auditor and Compliance Officer.

Investment Committee

The Company has established an Investment Committee which consists of four members, the main responsibility of which is to set the investment policy of the Company according to the market environment at the time and formulates the framework in which the asset management and client investment advisory functions of the Company should operate.

The Investment Committee has met twelve times during the reporting year, 2020, one time each month.

Internal Audit

The Internal Audit function is independent from any other units of the Company and reports directly to the Board. It is responsible for conducting independent appraisals of the Company's activities, functions, and operations to ensure that an adequate framework of internal controls has been established and is operating effectively. The above function is outsourced to FAI Limited.

Legal and Compliance Officer

The Legal and Compliance Officer has the responsibility for ensuring procedures are in place to ensure compliance with laws and regulations, which relate to carrying out business transactions, internal policies, and procedures as well as standards of behavior to protect and enhance the reputation of the Company. The specific Officer reports to the Managing Director of the Company and thereafter to the Company's Board.

The Duties of the particular Compliance Officer include the following:

- Supervising staff and activities with the aim of monitoring the adherence to the legislative framework that governs the Company, the identification of possible discrepancy from the applicable procedures and rules and the undertaking of proper measures for the prevention of errors
- Continuously supervising and evaluating the compliance mechanism and the presentation of proposals for the improvement of their effectiveness to the Board
- Monitoring the AML procedures and receiving information regarding suspicious transactions
- Drafting and updating company documentation (IOM, AML manual etc.) so that they reflect all obligations of the Company under the applicable legislation and communicating these to staff, notifying them of any changes to their responsibilities.

Accounting and Finance

The Accounting and Finance function plays a key role in the Company complying with its financial reporting obligations. The specific function is responsible for preparing the Company's financial statements in accordance with applicable accounting standards and rules in order to reflect a fair and true view of the Company's financial position. The Company's statutory financial statements are audited by the Company's independent auditors, Ernst and Young Cyprus Ltd and approved by the Board for approval. The approved financial statements are put before the shareholders of the Company at the annual General Meeting.

Own Funds and Capital Adequacy Ratio

In accordance with the Directive, the Company's own funds must be disclosed as the amount of original own funds with separate disclosures of all positive terms (share capital, reserves brought forward, less any proposed dividends, translation differences and current period losses, as applicable).

The Company currently maintains only Tier 1 Capital as eligible own funds. The balance with the Investors Compensation Fund and any Intangible assets (computer software and website development) is deducted when deriving Tier 1 capital.

As at 31st of December 2020, the Company's eligible own funds consisted of the following:

Own Funds

	31 Dec 2020 (€)
Tier 1	
Share capital	200,000
Additional Capital Contribution	2,495,901
Tier 2	-
Total	2,695,901
Retained Earnings	(1,766,518)

Current year Losses	(418,271)
Total Tier 1 Capital	511,113
Deductions from total own funds (Investors Compensation Fund and Intangible Assets)	(238,134)
Total Eligible Capital	**272,979**

The Company deducts from its Own Funds the balance with the Investors Compensation Fund amounting to € 56,229 and any Intangible Assets with a net book value of €181,905 as at the reporting date.

As of 31 December 2020, the Company was compliant with the CET1 Capital ratio, T1 Capital ratio and Total Capital ratio as per Article 92 (1)(a), (1)(b) and 92 (1)(c) of the Regulation. The Company's regulatory capital is analyzed as follows:

Capital Adequacy Ratio

	31 Dec 2020 (€ '000)
Total Regulatory Capital	274
Capital Requirements	
Credit Risk	623
Risk exposures amount due to Fixed Overheads	2,754
Operational Risk Capital Requirement	-
Total Capital Requirement	3,377
Total Capital Adequacy Ratio	**8.11%**

According to Article 92 of the Regulation a CIF shall always satisfy the following own funds requirements:

Capital ratios and capital levels

	Requirements	Company's ratios 31/12/20
CET1 Capital ratio	4.5%	8.11%
T1 Capital Ratio	6%	8.11%
Total Capital Ratio	8%	8.11%

CIF's that fall under Article 95 and 96 of CRR should maintain sufficient capital to cover one quarter of the fixed overheads of the preceding year.

Fixed Overhead requirement

	31 Dec 2020
	(€ '000)
Total Eligible Capital	274
Fixed Overhead Requirement	
Total Expenses	1,082.15
Less	
Fees, brokerage, and other charges paid to clearing houses for purposes of executing transactions	1.36
Non-recurring expenses from non-ordinary activities	0.0
Fixed Overheads	1,081
Fixed Overhead Requirement (25%* Fixed Overheads)	270
Total Capital Requirement as calculated under the requirements of the Directive	**3,377**

Risk Exposures and Risk Mitigation Strategies

Credit Risk

Credit Risk arises when failure by counterparties to discharge their obligations could reduce the amount of fund reserves and/or future cash inflows. The Company is exposed to this risk from its financing activities, including cash and cash equivalents in banking and custody accounts and from its operating activities, primarily trade receivables.

The Company amongst others applies the following strategies to mitigate risk regarding its financial activities:

- Ensures cash balances are held with licensed financial institutions and retains policies to limit the amount of credit exposure to any financial institution
- Monitors credit ratings by nominated ECAI external agencies and ratios such as, CET1 ratio, Reserves for Loan Losses, Liquidity Coverage ratio which state financial strength
- Applies the method of diversification by splitting its cash reserves in multiple financial institutions

- Utilizes stress tests that examine multiple scenarios of downgrade and default of financial institutions.

Also, the Company amongst others employs the below strategies to minimize its exposure to Credit Risk from its operating activities:

- Monitors all contracts under Brokerage services
- Requires that all clients' funds are cleared before providing the services of discretionary Portfolio Management or Brokerage
- Monitors all trade receivables occurred by Investment Advice services by preparing debtors ageing report on a monthly basis and follow up for collection if deemed necessary
- Ensures that sales of appropriate and suitable products and services are made to clients with sufficient capital.

As of the date of this report, no provision for impairment has been made and the management believes that no additional Credit Risk is inherent in trade receivables. The management has adequate experience in the collection of trade receivables, which is evident from the fact that so far there are no past due receivables that must be impaired.

Overall, the exposure of the Company to Credit Risk from both financial and operating activities is considered Low.

Market Risk

- **Foreign Exchange Risk**

Foreign Exchange Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. This risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's reporting currency. The Company's reporting currency is the Euro.

As of the date of this report the Company had no exposure to deposits or any other financial instruments denominated in a foreign currency and all its income and expenses was denominated in Euro, hence no exposure to Foreign Exchange Risk arises.

- **Interest Rate Risk**

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's current income and operating cash flows are independent of changes in market interest rates.

Other than cash at bank which attracts interest at normal commercial rates, the Company has no other significant interest-bearing financial assets or liabilities. However, the management body continuously monitors the interest rate fluctuations. Hence, the Company has no significant interest-bearing assets or liabilities except from cash in banks which attract interest rate at normal commercial rates.

Operational Risk

Operational Risk is the risk of loss arising from fraud, unauthorized activities, errors, omissions, inefficiency, systems failure, or external events such as natural disasters. It is inherent in every business organization and covers a wide range of issues.

The Company manages Operational Risk through a control-based environment in which all processes and transactions are monitored and documented on an ongoing basis. This is further supported by a program of audits undertaken by the Internal Auditor of the Company and by continuous monitoring of Operational Risk incidents to ensure that past failures are not repeated. The Company's IOM outlines the policies and procedures to be followed by its employees, and the reporting lines are in place for the functions and responsibilities of each department in order to minimize this risk in the greatest level.

In the reporting year, the Company's exposure to Operational Risk increased in terms of Information Security Risk from the launch of its core business for private investors through a web platform. This overhaul requires storage of sensitive clients' information online where, the confidentiality, integrity and availability of clients' information may be compromised internally by human error or externally by security attacks/cyber-attacks.

The Company currently utilizes the following strategies to mitigate its exposure to this specific Operational Risk:

- Employs two-step verification process using the Azure Active Directory from Microsoft in order clients to access their online accounts on the web platform and staff to be allowed to access clients personal information
- Ensures all staff is aware of the threats to this risk and, are well-trained and confident with its systems that contain sensitive clients information.

In addition, the Company during the reporting year was exposed to Operational Risk from business disruption due to the pandemic (Covid-19). However, the Company had overall systems and procedures that sufficiently allowed the continuation of services from any place with an internet connection. In Q2, of 2020, the Company updated its Disaster Recovery Plan in order to mitigate all risks related to remote-work as a result, to ensure business continuation even under government-imposed quarantine.

The Company amongst others applies the below strategies to mitigate this risk particular Operational Risk:

- Retains adequate business continuity policy (Disaster Recovery Plan) that ensures continuation of its operations, in the occurrence of circumstances beyond its control
- Ensures regular review and testing of these procedures
- Employs systems that implement regular backups to ensure there is no loss of data.

Overall, the Company's general Operational Risk exposure is considered as Moderate.

Other Risks

- **Concentration Risk**

Concentration Risk includes large individual exposures and significant exposures to clients whose likelihood of default is driven by common underlying factors such as the economy, geographical location, industry, instrument type etc.

The Company's services are provided to a plethora of clients from several industries resulting in significant income diversification. The Company has controls in place to monitor its exposure to each client. However, all the clients which the Company currently provides services and products to, reside in Cyprus, with most of their activities correlated to the Cyprus economy.

Considering this, the Company is planning the launch of its core service (discretionary Portfolio Management) to other EU domiciles in order to diversify its exposure to the Cypriot economy.

Overall, the Company's exposure to Concentration Risk is considered Low based on its current nature, scale, and complexity of operations.

- **Business Risk**

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions.

The Company amongst others applies the below strategies to reduce its exposure to this risk:

- Conducts research on upcoming changes in the industry, business sentiment, general market activity targeting and regulations
- Retains active line of communication with regulatory bodies in regard to publications of new regulations and guidelines
- Ensures to inform all clients that are affected by new regulations
- Reviews continuously the goals, objectives and strategic initiatives and adjusts them based on the conditions of the business environment.

The Company during the reporting period was exposed to increase Business Risk due to the publication of a new Law (L.10(I)/2020) from the Registrar of provident funds in Cyprus. The issuance of the technical standards related to the new Law has been delayed resulting in the freezing of transferring of Assets Under Management of new provident funds joining the LifeGoals Multiemployer Provident Fund. This delay resulted in the loss of earnings due to the postponement of onboarding of new clients.

Overall, the Company's Business Risk exposure is considered Low based on its current nature, scale, and complexity of operations.

- **Liquidity Risk**

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations when they arise and when the maturity of assets and liabilities do not match.

The Company amongst others employs the following strategies to mitigate this risk:

- Monitors its liquidity ratios on ongoing basis to ensure that it always have sufficient liquidity to meet its liabilities when they are due
- Maintains the policy to retain adequate liquidity and contingent liquidity under both normal and stressed conditions
- Ensures to have sufficient cash reserves to meet expected operation expenses
- Reviews on a monthly basis a global Economic and Political analysis in order to be informed of market changes and be prepared to any market liquidity drainage.

As of the date of this report, the Company maintained sufficient cash and other high liquid current assets as a result its exposure to Liquidity Risk to be considered as Low.

- **Reputational Risk**

Reputational Risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors, or regulators. This risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service, fraud or theft, customer claims, competitors' defamation claims, legal action, regulatory fines, etc.

The Company amongst others imposes the following strategies to secure its reputation in the industry:

- Ensures to be adhered at all applicable laws and regulations and responsive to market changes including changes in the regulatory nature
- Ensures that policies and procedures include the Company's 'Code of Business Conduct' and 'Code of Ethics'
- Retains internal controls set in place by the Board, Internal Auditor and Legal and Compliance Officer
- Retains well-documented supporting documents that cancels the defamation by competing counterparties
- Retains a Board of high caliber professionals who are recognized in the industry for their knowledge, experience, and integrity.

Cyprus as a jurisdiction was exposed to Reputational Risk arising from the corruption scandal of "golden passport". This had a direct effect on the Company's activities and operations, in terms of the willingness of counterparties, e.g. brokers to continue working with CIFs. The Company mitigated this risk by establishing new relationships with new reputable counterparties.

Overall, the Company's exposure to Reputational Risk is considered Moderate due to the current reputation of the jurisdiction which it operates.

- **Strategic Risk**

Strategic Risk could occur from adverse strategic business planning, decisions and improper implementation of decisions or lack of responsiveness to changes in the business environment or political and economic uncertainty in the regions which it operates.

The Company amongst others employs the following strategies to manage this risk:

- Assesses regularly the strategic direction considering its objectives and budgets
- Reports to the Board milestones and other goals achieved/ not achieved so that actual results can be measured in comparison to forecasts
- Assess the implications of strategic decisions on risk-based measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise
- Requests the approval of the Board to initiate any projects that might have an impact to short and long-term business plans.

During the reporting year due to the pandemic and the uncertain business environment the Company's business development and international expansion plans have been affected. Nonetheless, the pandemic crisis has given to the Company the opportunity for further product development by the establishment with various reputable third-party service providers in preparation for the international expansion.

Overall, the Company's exposure to Strategic Risk is considered Moderate given the current nature, scale, and complexity of its operations.

- **Legal and Compliance Risk**

Legal and Compliance Risk is the risk which the Company faces by not complying with relevant Laws and Directives issued by CySEC, regulations, practices or ethical standards and have on effect on earnings and capital. If this risk materialized, could also trigger the effects of Reputation and Strategic Risks.

The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the regional Commission; these can be found in the Internal Operations Manual ("IOM") and the KYC Manual. These internal procedures and policies implemented are regular reviewed and assessed by the Company's full time Legal and Compliance Officer. Furthermore, the Internal Auditor of the Company evaluates and tests the effectiveness of internal procedures and controls at least annually. Any suggestions made for improvement from both functions are considered for implementation by the management body.

The Company's structure is such to promote clear coordination of duties while the management body consists of individuals of suitable professional experience and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals without breach or non-compliance with legislations. In addition, the Board meet at least quarterly, to discuss such issues and any suggestions to enhance compliance are implemented by the management body.

Overall, the probability of this risk to arise is considered Low given the Company's current nature, scale, and complexity of its operations.

- **Capital Adequacy Risk**

Capital Adequacy Risk could occur if regulatory own funds (i.e., total eligible funds) are inadequate to cover the material risks to which a financial institution is exposed (i.e., Pillar I and Pillar II risks), as a result the capital adequacy ratio to fall below the minimum threshold of 8%.

The Company applies the below strategies to mitigate this risk:

- Monitors its capital adequacy ratio on a monthly basis to ensure that at all times has a higher capital adequacy ratio compared to the required minimum while also, maintains eligible own funds above the level that is set in forth Sections 10.-(1) and Sections 67(1) and (2) of the Cyprus Investment Services and Activities and Regulated Markets Law
- Retains a shareholder always prepared to inject additional capital when deemed necessary
- Applies prudent and forward-looking capital planning and relevant application of stress testing methodologies which targets to quantify and incorporate in its calculations an additional amount which reflects instances where the capital adequacy ratio can be unexpectedly hurt.

In the reporting year, the Company's expenses increased due to the development of products, marketing, and sales in addition to upgrading of its hardware and software systems. The management body decided to increase the frequency of its capital adequacy monitoring to always ensure maintenance of sufficient own funds. As of the date of this report, the Company maintains a Capital Adequacy ratio above the minimum threshold of 8%.

Overall, the Company's exposure to Capital Adequacy Risk is considered Moderate due to the increased expenses/investments for the reporting year.

Capital Requirements

Credit Risk

For the calculation of Credit Risk capital requirements, the Company has adopted the Standardized Approach. *Note that from 26th of June, 2021, the Company will be subjected to the new IFD and IFR for the calculation of initial capital and own funds requirements where, according to the categorization thresholds the Company will be classified as a "Class 2" Investment Firm. In the new regulation the Company will be required to conduct a new "K-factor" risk assessment to test its capital requirement in addition to the fixed overheads and minimum capital requirements already applied.*

The following table provides by asset class distribution of the Company's credit risk exposures, the assigned risk weights to each exposure and the calculates risk-weighted asset (RWA):

Credit risk exposures, RWA and capital requirements by asset class

Exposure classes	Exposure Amount (€)	Credit risk adjustment	RWA (€)	Capital Requirement (€)
Institutions	229,557	50%	114,778	114,778
Corporates	68,435	100%	68,435	68,435
Other items	439,594	100%	439,594	439,594
Total	**737,586**		**622,808**	**622,808**

The table below provides information on the geographic distribution of the Company's credit risk exposures, analyzed by asset class:

Credit risk exposures by country

Exposure Class	Cyprus (€)	Other (€)	Total (€)
Institutions	229,557	-	229,557
Corporates	68,435	-	68,435
Other items	439,594	-	439,594
Total	**737,586**	**-**	**737,586**

The following table presents the distribution of the exposures by industry, broken down by asset class:

Credit risk exposures by industry

Exposure Class	Financial/Banking (€)	Other (€)	Total (€)
Institutions	229,557	-	229,557
Corporates	24,892	43,543	68,435
Other items	-	439,594	439,594
Total	**254,449**	**483,137**	**737,586**

The table below presents the residual maturity breakdown of all the exposures, broken down by exposure class:

Residual maturity of credit exposures

Exposure Class	Residual Maturity ≤ 3 months (€)	Residual Maturity > 3 months (€)	Total (€)
Institutions	229,557	-	229,557
Corporates	68,435	-	68,435
Other items	-	439,594	439,594
Total	**297,992**	**439,594**	**737,586**

The Company has selected to use Fitch Ratings as the External Credit Assessment Institution. For exposures to institutions, the Company used the credit quality step of the institutions with an original effective maturity of three months or less to determine the corresponding risk weights. The remaining exposure classes, corporates and other items are unrated.

Exposure Class	CQS 6* (€)	Unrated or N/A (€)	Total (€)
Institutions	229,557	-	229,557
Corporates	-	68,435	68,435
Other items	-	439,594	439,594
Total	**229,557**	**508,029**	**737,586**

Remuneration Disclosures

During 2020, the following was applicable with regards to the Company's remuneration system:

The Company's remuneration system policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board and the Heads of the Departments; the said practices are established to ensure that the rewards for the "Executive Management" are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance, whilst ensuring base salary levels are not set at artificially low levels. The Company operates a discretionary bonus policy directly correlated to the annual profitability of the Company. The Company uses remuneration as a key method of attracting and retaining key employees whose talent can contribute to the Company's short and long-term success. It is noted that the Company has considered its size, internal organization and the nature, scope and complexity of its activities and it does not deem necessary the establishment of a specific Remuneration Committee. Decisions on these matters are taken on a Board level, while the remuneration policy is periodically reviewed.

The total remuneration of the Company's staff consisted of only fixed remuneration during the reporting year; no variable remuneration was employed mainly to avoid situations of excessive risk taking. However, the Company retains provisions for fixed and variable remuneration, where the two components are appropriately balanced, and the fixed component presents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. Variable remuneration is a multiplier of performance and fixed component.

Fixed remuneration varies for different position/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. Fixed remuneration is also set in comparison with standard market practices employed by the other market participants/competitors.

Variable remuneration is designed to ensure that the total remuneration remains at competitive levels and to reward the staff for its performance, whilst remaining aligned with department's and/or the Company's performance. Other factors considered are the following:

- The financial viability of the Company
- The general financial situation of the state in which the Company operates
- Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, commitment, and work ethics).

The Company's variable remuneration (if any) is approved by the Board, for the employees of the compliance department and by the Senior Management, for the employees of the back-office department, dealing department and customer support department.

Remuneration of Management

Categorization	**No. of Staff**	Annual Fixed Remuneration (€)
Executive Directors	2	176,838
Non - Executive Directors	3	22,200
Senior management	4	147,386
Other Staff	18	289,605
Total	**27**	**636,029**

Remuneration broken down by business area

Categorization	**No. of Staff**	Annual Fixed Remuneration (€)
Risk Management	2	93,400
Brokerage	1	29,000
Investment Advice	2	33,186
Portfolio Management	3	97,789
Finance	5	108,340
Other	11	252,114
Total	**24**	**613,829**

**Note: Remuneration figures are for the year end, December 2020.*

Board Risk Management Declaration

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and -as such- offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls regarding the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid, minimize or eliminate loss.

Board Risk Statement

The Company's strategic objective is to provide to its customers the financial services and the financial instruments and have the clients' loyalty and trust.

The Company operates with a strong customer focus and provides a variety of financial instruments aiming to deliver value to its clients' investments. The Company has implemented and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes, and systems, and where appropriate, set the level of risk tolerated by the Company. The Company has adopted effective arrangements, processes, and systems, considering the level of risk tolerance, where applicable. The Company's strategy is pursued within a defined Risk Appetite.

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