



## **Freedom Finance Europe Limited**

### **Pillar III Disclosures and Market Discipline for the year ended 31 December 2021**

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

**June 2022**

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## 1 Introduction

### 1.1 Corporate Information

These disclosures relate to Freedom Finance Europe Limited (the “Company”), which is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) to offer Investment and Ancillary Services under license number 275/15, dated May 20th, 2015.

The Company is registered in Cyprus since August 5<sup>th</sup> 2013, with Registration Number HE324220 as a limited liability company under the Companies Law, Cap. 113, and which has a LEI Code 2138006Q4P69VVS8MZ72.

In particular, the Company is authorised to provide the following investment and ancillary services, in the financial instruments outlined below:

#### Investment Services

- Reception and transmission of orders in relation to one or more financial instruments.
- Execution of orders on behalf of clients.
- Dealing on Own Account.
- Provision on Investment Advice.

#### 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.
- Foreign exchange services where these are connected to the provision of investment services.
- Investment research and financial analysis or other forms.

#### Financial Instruments

- Transferable securities;
- Money-market instruments;
- Units in Collective Investment Undertakings (CIUs);
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- Options, futures, swaps, forwards 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 other than by reason of default or other termination event;
- 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Part and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- Financial contracts for differences
- 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 Pillar III Regulatory Framework

The capital adequacy and overall risk management requirements that applied until recently to the Company under the EU Capital Requirements Directive 2013/36/EU (“CRDIV”) and EU Regulation No. 575/2013 (the “Regulation” or the “CRR”), have been replaced by amended prudential rules. In particular, the EU Regulation 2019/2033 (the “Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 (the “Investment Firm Directive” or “IFD”), where the latter has been harmonized into Cyprus legislation through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021).

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

The Company is a Class 2 CIF and is required to hold €750k (\$849 thousand equivalently) of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

The IFR/IFD framework consists of three Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three Pillars and their applicability to the Company, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

The present Pillar III Disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31<sup>st</sup> of December 2021. The Company is making these Disclosures on an individual (solo) basis, as it does not fall under the scope of prudential consolidation based on the provisions of Article 7 of the IFR. The Company also prepares its Financial Statements on an individual (solo) basis, in accordance with the International Financial Reporting Standards (“IFRS”).

The Company prepares its Pillar III Disclosures document and arranges for its review and verification by its external auditors on an annual basis. Furthermore, the Company uploads its annual Pillar III Disclosures on its website, while it also submits them to CySEC accompanied by its external auditors' verification report.

### 1.3 Scope of Disclosures

Freedom Holding Corp, a listed entity incorporated in the United States of America and regulated by SEC, holds 100% of the Company's shares and prepares consolidated financial statements under generally acceptable accounting principles in the United States of America which are publicly available on SEC's website.

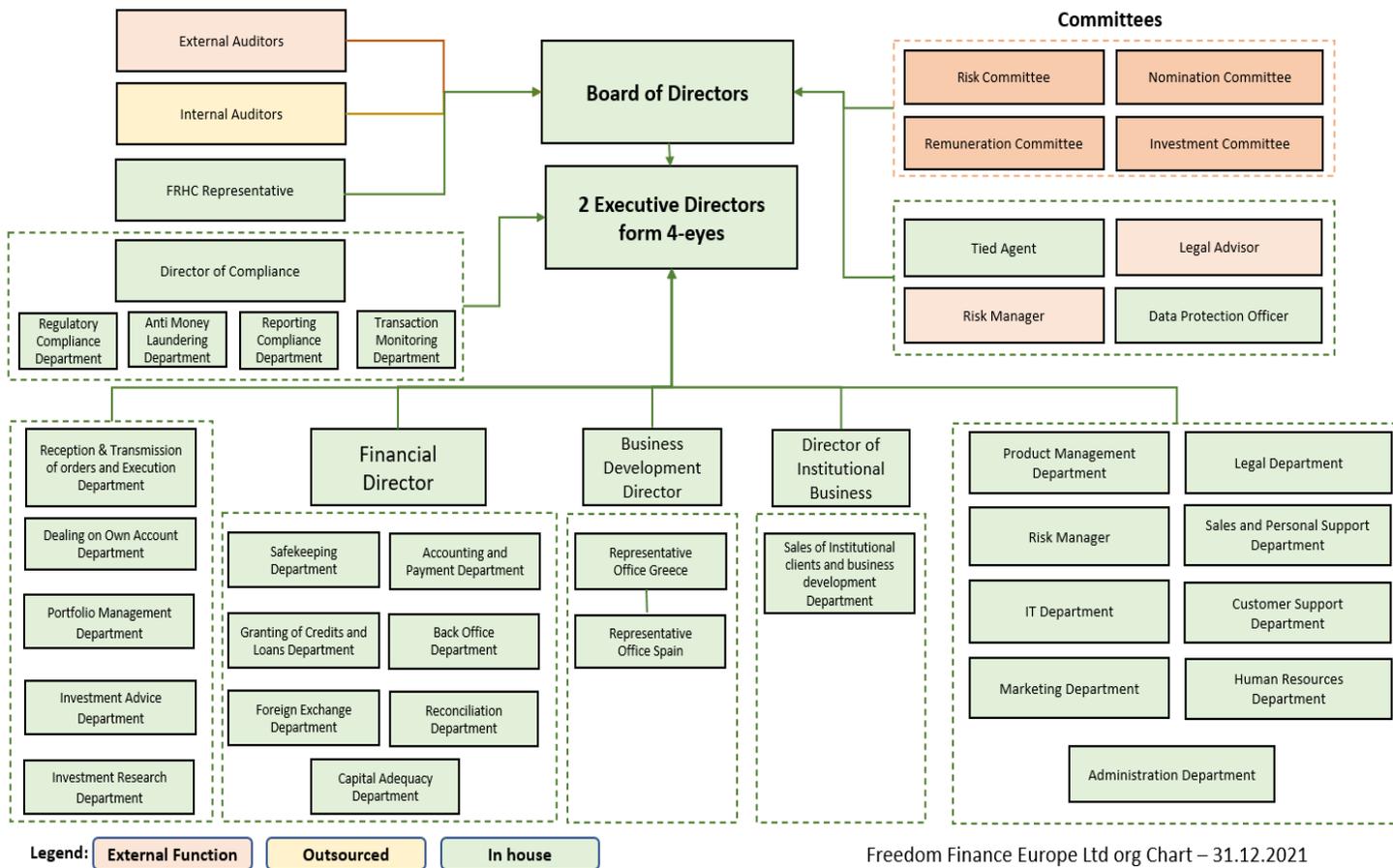
The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the holding Company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States of America and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2021.

As at 31 December 2021, the Company owned the following entity:

Name	Country of incorporation	Principal activities	Holding %	Amount USD\$
Freedom Finance Germany TT GmbH	Germany	Investment services	100%	223.806
Freedom Finance Technologies Ltd	Cyprus	Provision of services	-	-

On 12 January 2021, the Company ("Seller") entered into a share purchase agreement with parent company Freedom Holding Corp. ("Purchaser") for the sale of 1000 ordinary shares of Freedom Finance Technologies Limited for the consideration of €1.000.

### 1.4 Organisational Structure



Freedom Finance Europe Ltd org Chart – 31.12.2021

## 2 Risk Management Arrangements

### 2.1 Risk Management Objectives and Policies

#### 2.1.1 The Company's Approach to Risk Management

Managing risk effectively in a multidimensional organization, operating in a continuously changing risk environment, requires strong risk management principles. As a result, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that it identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits, complies with the applicable legislation, takes more informed decisions and improves the probability of achieving its strategic and operational objectives.

#### 2.1.2 Risk Management Framework

The Risk Management framework includes the awareness, responsibility, integration into business process and "Three lines of defense". The following steps of the risk management process are defined:

- ✓ Risk awareness - the risk management process affects every employee of the Company. Decisions on the conduct of any operation are made only after a comprehensive analysis of the risks arising from such an operation, which involves preliminary identification and assessment of the relevant risks.
- ✓ Targeted responsibility - the Company's management, managers and employees of divisions are responsible for managing the Company's risks in accordance with the powers granted to them.
- ✓ Integration into business processes - risk management is an integral part of the Company's business processes, including management decision-making, both at the strategy level and at the operational level.
- ✓ Provision of "Three lines of defense"

#### 2.1.3 Risk Management Function

During the year the Risk Management Function has been outsourced. The Risk Manager reports to the Board of Directors ("BoD"), ensuring compliance with the directions issued by the Company.

The Function is entrusted with the task of the determination, evaluation and efficient management of the risks inherent in the provision of Investment Services by the Company. The Risk Management Function will assess potential risks and evaluate their significance, the likelihood of their occurrence, and how these should be managed. It implements 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 adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Risk Management reports directly to the Executive Officers and the Board. The Risk Manager provides annual risk management report covering all types of risks to Senior Management and is responsible for evaluating and managing the Company's risks at all times. Such reports should also be presented to the Board and minutes of such meetings attached to the relevant reports should be submitted to CySEC within twenty (20) days from the day of the meeting, and not later than four months from the end of each calendar year.

The Risk Manager bears the responsibility to monitor and evaluate:

- 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 adopted policies and procedures, in addition to the Company's obligations stemming from the relevant laws;
- the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

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

#### **2.1.4 Internal Audit**

The Internal Audit Function is outsourced. The Internal Auditor reports to the Senior Management and the Board of the Company and is separated and independent from the other functions and activities of the Company.

The Internal Auditor bears the responsibility to:

- (a) 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;
- (b) issue recommendations based on the result carried out in accordance with point (a);
- (c) verify compliance with the recommendations of point (b);
- (d) provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor has access to the Company's premises, systems, information, personnel and financials.

The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according to the Board's assessment and prioritization.

#### **2.1.5 Compliance Officer**

The Board appoints a Compliance Officer, to head the Compliance Function of the Company in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively. The Compliance Officer is independent and reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer's main responsibilities, inter alia, to:

- monitoring and assessing the level of compliance risk that the Company faces, considering the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed;
- monitoring the adequacy and effectiveness of the measures and procedures of the Company;
- developing, designing and re-designing the appropriate procedures of the Company, to prevent and resolve potential conflicts of interest, ensuring that all the procedures regarding the Company's conflict of interest

policy are in place, as well as establishing and maintaining Chinese Walls procedures between the various organizational units of the Company;

- communicating the relevant statutes of the Internal Operations Manual (“IOM”) to each employee and notify them of any relevant changes therein that relates to his/her role and responsibilities in the Company.

The Compliance Officer needs to communicate to the Company’s Management an annual report on compliance issues raised during the year. The Compliance Officer’s annual report must be presented to the Board and discussed.

### **2.1.6 Anti-Money Laundering Compliance Officer**

The Anti-Money Laundering Compliance Officer (hereinafter the “AMLCO”) is responsible to assess the Company’s compliance with the relevant legislative requirements, effectiveness of the policies, procedures and controls applied by the Company for the prevention of money laundering and terrorist financing, as well as any measures required for improvement of weaknesses and/or compliance deficiencies. Company’s employees should report to AMLCO their knowledge or suspicion of transactions involving money laundering and terrorist financing activities.

The AMLCO reports to the Board and Senior Management of the Company and leads the Company’s Anti-Money Laundering Compliance procedures and processes. He has the necessary authority, resources, expertise and access to all relevant information. The AMLCO prepares an annual report to the Senior Management and Board for approval within two months from the end of each calendar year (i.e. the latest, by the end of February), on the matters on his responsibility, indicating whether appropriate remedial measures have been taken in the event of any deficiencies.

In this respect, the present AMLCO Report has been prepared for the year 2021 covering, all required areas prescribed in the AML Directive as well as in accordance with Circular C033 in relation to the content of the AMLCO’s Annual Report on the prevention of money laundering and terrorist financing, issued on 18 December 2014, for the purpose of assessing the Company’s level of compliance with its obligations laid out in the Prevention and Suppression of Money Laundering and Terrorist Financing Law (the “AML Law”), and all relevant Circulars issued by the Commission.

### **2.1.7 Risk Appetite Statement**

The Risk Appetite Statement of the Company defines the approaches and method of forming risk appetite, early warning signals, and the procedure for calculating these indicators. This Statement is an internal document that is mandatory for execution and application by all departments, employees, and management of the Company.

The Statement is a top-level document designed to describe the full cycle of processes related to risk appetite management. At the same time, Statement complements the Risk Management Policy in terms of a detailed description of risk appetite management procedures. In the meantime, the Company management bodies may consider the need to make changes to Statement as a lower-level document than the Policy.

Statement, developed as a part of the implementation of risk management, defines the approaches used by CIF in managing the aggregate level of risk, as well as the tools used to cover the risks taken, including in order to ensure the effective functioning of CIF and compliance with CySEC requirements.

The principles and approaches defined in this Statement are aimed at building, further using, and developing an integrated risk management system for the purpose of ensuring CIF’s ability to function continuously in normal

and stressful economic conditions, increasing transparency of the risk management process, as well as for timely identification and assessment of significant risks, capital planning and risk accounting in the decision-making process.

In order to ensure sustainable functioning, as well as to achieve its goals, CIF determines risk appetite indicators that characterize the maximum permissible level of significant CIF risks.

### **2.1.8 Internal Capital Adequacy and Risk Assessment Process**

The IFD introduces the Internal Capital and Risk Assessment (“ICARA”) process as a new requirement for IFs (Article 24 of IFD), which is similar to the Internal Capital Adequacy Assessment Process (“ICAAP”).

Company regularly updates its capital adequacy and risk assessment process which forms the basis of the Company’s Pillar II requirements, through which it will ensure full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs. This forms the basis of the Company’s Pillar II requirements that the Company views as the additional amount of capital and liquidity it needs to hold against any risks that are not covered by Pillar I.

The ICARA enables the Company to identify the requirements for any additional capital over and above the capital allocated under Pillar I. The ICARA report is a key tool for both the Company and the regulator as it approaches the risk assessment from a holistic perspective enabling the Company to assess and match risks as much as possible, reducing its residual risk and enabling more precise future growth planning. The ICARA shall be reviewed and updated annually.

## **2.2 Risk Governance – Board and Committees**

### **2.2.1 Board of Directors**

The Board of Directors consists of five (5) members, two (2) of whom are Executive Directors “4-Eyes”, and three (3) Non-Executive Directors (one Non-Executive Director and two Independent Non-Executive Directors). The Board is the management body of the Company, and it essentially exercises substantial control over the Company’s activities and affairs.

The Non-Executive Directors are persons of reputation, experienced and well known in the business community for their skills and abilities, who can assist the Company to achieve its goals.

The Chairman of the Board is primarily responsible for leading the Board and ensuring its effectiveness. He is responsible for setting the Board’s agenda and ensuring the Directors receive information in an accurate, clear and timely manner. He will be responsible for promoting effective decision-making, ensuring the performance of the Board.

The major duties and responsibilities of the Board of Directors are:

- Formulating the Company’s future strategy in terms of the development of existing and new services and the Company’s presence in the local and international financial markets;

- Governing the Company by broad policies and objectives, formulated and agreed upon by the directors and employees;
- Ensuring that sufficient resources are available to the Company to carry out its operations;
- Reviewing and discussing the written reports prepared by the Risk Manager and identifying the risks faced by the Company.

Furthermore, the Board is responsible to ensure that the Company complies with its obligations under the Law, and all other applicable legislation, directives and regulations as well as for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties. The Board conducts meetings on a regular basis and at least once in a quarter.

### **2.2.2 Board Committees**

During the reported period, as a significant CIF, the Company has established a Risk Committee, a Remuneration Committee, a Nomination Committee and an Investment Committee, as well as the respective committee policies.

#### **Risk Committee**

The Risk Committee under article 76 (3) of the DIRECTIVE 2013/36/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL shall be composed of members of the management body who do not perform any executive function in the Company. Specifically, the Risk Committee will be consisted of at least six members out of which at least three members are non-executive Directors of the Company and other three are representatives of the Company. The Chairman of the Risk Committee and members of the Risk Committee will be elected or re-elected during the last week of July of each year by the BoD upon a convocation of a relevant meeting. The Chairman of the Risk Committee shall be appointed by the members of the Risk Committee upon a relevant meeting, and he/she will ensure that all the members of the Risk Committee are made aware of their duties and responsibilities. Members of the Risk Committee shall have appropriate knowledge, skills, and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company.

The Risk Committee shall advise the BoD on the Company's overall current and future risk appetite and strategy and assist the BoD in overseeing the implementation of that strategy by senior management. The Risk Committee must review whether prices of liabilities and assets offered to clients take fully into account the Company's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the Risk Committee must present a remedy plan to the BoD.

In performing its duties, the Risk Committee shall take into consideration to the extent possible and on an ongoing basis the need to ensure that the BoD 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. The Risk Committee shall be able to use any forms of recourses that it considers to be appropriate, including external advisors and shall receive appropriate funding to that effect.

As at the reference date the Risk Committee was composed of six members.

## Nomination Committee

The Nomination Committee under article 18A of the MiFID Law shall be composed of members of the BoD who do not perform any executive function in the Company and exercise its duties as referred in articles 3-7 of the present Nomination Committee Policy. Specifically, the Nomination Committee will be consisted of at least four members out of which at least three members are non-executive Directors of the Company and another one is representative of the Company. The Chairman of the Nomination Committee and members of the Nomination Committee will be elected or re-elected during the last week of July of each year by the BoD upon a convocation of a relevant meeting. The Chairman of the Nomination Committee shall be appointed by the members of the Nomination Committee upon a relevant meeting, and he/she will ensure that all the members of the Nomination Committee are made aware of their duties and responsibilities.

The Nomination Committee shall:

- 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 the member of the BoD individually and collectively and report to the BoD accordingly;

The Nomination Committee shall give careful consideration to all existing or in case of replacement of a member of the senior management qualified candidates and will be responsible for their suggestions to the BoD for re-selection of its members or the selection of qualified candidates. The annual meeting for the aforesaid assessment will be convened during the first week of September of each year in the premises of the Company or via teleconference where the Nomination Committee shall draft and submit to the BoD a relevant report until the end of September of each year. In order the annual meeting or any other extraordinary meeting to be held, a quorum is required which must be consisted of the majority of the members of the Nomination Committee. Any decision shall be taken by two thirds of the votes corresponding. In case of deadlock, the Chairman of the Nomination Committee shall have a casting vote. Any member of the Nomination Committee may request in written from the Chairman to convoke an extraordinary meeting specifying the subject/s of the agenda which must be held within ten (10) working days upon the relevant request to the Chairman. The BoD of the Company may convene an extraordinary meeting requesting the presence of the Nomination Committee- if required- for further analysis and evaluation of the report or for any other subject concerning the duties of the Nomination Committee.

## Remuneration Committee

The Remuneration Committee shall be composed of members of the BoD who do not perform any executive function in the Company. Specifically, the Remuneration Committee will be consisted of at least four members out of which at least three members are non-executive Directors of the Company and another one is representative of the Company. The Chairman of the Remuneration Committee and members of the Remuneration Committee will be elected or re-elected during the last week of July of each year by the BoD upon a convocation of a relevant meeting. The Chairman of the Remuneration Committee shall be appointed by the members of the Remuneration Committee upon a relevant meeting and he/she will ensure that all the members of the Remuneration Committee are made aware of their duties and responsibilities.

In performing its duties, the Remuneration Committee shall take into consideration to the extent possible and on an ongoing basis the need to ensure that the BoD 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. The Remuneration Committee shall be able to use any forms of recourses that it considers to be appropriate, including external advisors and shall receive appropriate funding to that effect.

The Remuneration Committee shall:

- Submit to the BoD, within terms of reference agreed upon and without the presence of the party interested in their evaluation, proposals concerning the framework and level of remuneration (including fixed pay, performance-related pay, bonuses, pension rights and any compensation payments, share options, etc.) of Executive and non-Executive Members of the BoD of the Company or its subsidiary companies, the Company Secretary, and the Heads of the Departments. The Remuneration Committee will take into consideration factors such as the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Company is active, remuneration in other levels of the Group Holding and non-financial criteria e.g. compliance with applicable rules and procedures. It will also consider the need to attract and retain the most suitable Directors (Executive and non-Executive) / Senior Executives in the Company.
- During the formulation of the above-mentioned proposals, the Remuneration Committee should take care so that:
  - these proposals are consistent with the relevant legal and regulatory requirements and;
  - the performance-related systems:
    - should not extend any benefits before the gains expected by the Company materialize in a satisfactory degree;
    - should specify targets and evaluation criteria so that the remuneration of the Company Executives is properly aligned with the long-term interests of the shareholders, investors, other stakeholders and the public interest, the Company's business objectives and strategies with a view of delivering sustainable value and maintaining a sound capital base, always within the risk framework of the Company.
- During the preparation of its proposals, the Remuneration Committee shall provide the opportunity to the Chairperson and the Executive Director to express an opinion with regard to its proposals concerning the salaries of other BoD Members. It should also have access to professional advice, both internal and external.
- The Remuneration Committee shall assist the BoD in fulfilling its duty in ensuring that the remuneration policy and practices are consistent with the risk appetite of the Company, prevent conflicts of interest and promote sound and effective risk management.
- The Remuneration Committee shall ensure that staff members, who are involved in the design, review and implementation of the remuneration policies and practices, have relevant expertise and are capable of forming independent judgment on the suitability of the remuneration policies and practices. Independent external advice may also be sought.

**Investment Committee**

The Investment Committee shall be composed of members of the management body who do not perform any executive function in the Company. Specifically, the Investment Committee will be consisted of at least four members out of which at least one member is non-executive Director, two members are Independent Non-executive Directors of the Company, and other three are representatives of the Freedom Finance Europe Limited. The Chairman of the Investment Committee and members of the Investment Committee will be elected or re-elected during the last week of July of each year by the BoD upon a convocation of a relevant meeting. The Chairman of the Investment Committee shall be appointed by the members of the Investment Committee upon a relevant meeting and he/she will ensure that all the members of the Investment Committee are made aware of their duties and responsibilities.

The Investment Committee shall provide assistance to the BoD in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's contemplated investments and portfolio companies and investments. In so doing, the Investment Committee shall remain free and open communications between the Investment Committee, the independent auditors and management of the Company. In discharging its oversight role, the Investment Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

The primary responsibility of the Investment Committee is to oversee the Company's evaluation of contemplated investment and portfolio companies on behalf of the BoD and report the results of their activities to the BoD. The Investment Committee shall have the final authority in approving investments and shall make recommendations to the BoD respecting the disinvestment of portfolio companies.

- The Investment Committee shall have the ultimate authority for and responsibility to evaluate and recommend investments. The Investment Committee shall review all contemplated investments by examining the financial history of the company, the expected return on investment, the quality of management, the soundness of the business model, the capital requirements, and the relationship between the company, its management and shareholders, and all known affiliates of Freedom Finance Europe Ltd.
- The Investment Committee shall review and discuss with management the performance of portfolio companies. The Investment Committee shall examine the results of operations, the anticipated additional capital requirements, the return on investment, the level of management support required, budgets, forecasts and variance reports. Where appropriate, the Investment Committee shall recommend the sale, spin-off or other disposition of under-performing portfolio companies.
- The Investment Committee shall review and discuss with management the diversity and risk of the Company's investment portfolio, and, where appropriate, make recommendations respecting the sale or addition of portfolio investments.
- The Investment Committee shall review, evaluate and discuss with management all solicited and unsolicited offers to purchase portfolio companies. The Investment Committee shall have the final authority for approving the sale of portfolio investments.

The BoD shall retain overall responsibility for risks.

**2.2.3 Diversity Policy**

The Company recognizes the benefits of having a diverse Board of Directors to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board. For the

purpose of this policy, the Company considers that the concept of diversity incorporates a number of different aspects, therefore all Board appointments are made on merit, in the context of the skills, experience, knowledge, business perspectives, industry or related experience, independence, gender, age, cultural, educational background and more general experience which the Board as a whole requires in order to be effective.

#### 2.2.4 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. 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 taken into account for the purposes of the below.

**Table 1:** Directorships held by members of Board

Name of Director	Position within the Company	Number of Directorships	
		Executive	Non-Executive
Denis Matafonov	Executive Director	1	-
Evgenii Tiapkin	Executive Director	-	-
Timur Turlov <sup>1</sup>	Non-Executive Director	-	2
Giannakis Christofi	Independent Non-Executive Director	-	1
Charalambos Avaratzis	Independent Non-Executive Director	1	1

<sup>1</sup> Mr. Timur Turlov acts both as an Executive and Non-Executive Director, within the Group to which the Company belongs

### 3 Principal Risks

The Company faces several key risks in conducting business. These are assessed further below.

#### 3.1 Risk-to-Client

The Company in its ordinary course of business which primarily involves investment and ancillary services, holds cash and securities on behalf of its clients and offers marginal lending facility. In order to render these services to clients, the Company holds clients' money in separate bank accounts. These balances are held by the Company in a custodian capacity and these assets and corresponding liabilities are not included in the Company's audited statement of financial position as assets and liabilities and are classified as Off Balance Sheet Items.

Risk to Client ('RtC') is the risk that an investment firm poses to clients if it fails to carry out its services or operations correctly. The K-factors under RtC are proxies covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors under RtC:

- **K-AUM (Assets Under Management)** – This looks at the risks associated with discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.
- **K-CMH (Client Money Held)** – captures the risk of an investment firm causing potential harm to clients where it holds their money.
- **K-ASA (Assets Safeguarded and Administered)** – captures the risk of harm associated with the safeguarding and administering of a client's financial instruments
- **K-COH (Client Orders Handled)** – captures the potential risk to clients of an investment firm which executes orders in the name of the client.

Failure to carry out its services or operations correctly will be a key risk that the Firm would need to manage. The negative impact on clients of this failure could be substantial if not management appropriately.

##### 3.1.1 K-AUM

As the Company did not provide portfolio management or investment advice services during the year ending 31 December 2021, the Company was not subject to the risk relating to this K-factor.

##### 3.1.2 K-CMH

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. The Company calculates its K-CMH based on the provisions of Articles 15 and 18 of the IFR.

### 3.1.3 K-ASA

The Company is subject to K-ASA since it provides safeguarding and administration for clients' financial instruments. The Company calculates its K-ASA based on the provisions of Articles 15 and 19 of the IFR.

### 3.1.4 K-COH

The Company executes its clients' orders by acting as an agent to their trades, therefore the risk reflected by this K-factor applies. The Company calculates its K-COH based on the provisions of Articles 15 and 20 of the IFR.

## 3.2 Risk-to-Market

Risk to Market ('RtM') is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors 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 Regulation (EU) No. 575/2013 ("CRR"). Therefore, K-NPR captures the Market Risk, which is defined as the risk that changes in market prices will affect the Company's income or the value of its holding of financial instruments. The Company is exposed to market risk arising from both its non-trading and trading book positions.
- **K-CMG (Clearing Margin Given)** – This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing 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. Bearing in mind the Company's size of relevant operations during 2021, this K-factor is not applicable to the Company.

### 3.2.1 K-NPR

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to market risk derived by exposures to foreign exchange, equity and debt instruments. As a financial company, the Company is exposed to foreign exchange risk arising from various currency movements, primarily with respect to the EUR/USD exchange rate for revenues and on the cost side. The general policy is to take advantage of natural currency hedges by matching revenues and operational costs as economically as possible. The Company's funding is denominated in its main operational currencies to create natural hedging in the balance sheet. Where necessary, financial exposure is hedged in accordance with Company's general policy on permitted instruments and exposure limits.

As at 31 December 2021 the Company's total market risk requirements amounts to \$3.118.995 which are covered adequately enough by Company's own funds level. One of Company's primary objectives is to ensure that the exposure through market volatility does not lead to unacceptable losses outside of its risk appetite. The Risk Manager frequently and closely monitor any deviations from the current risk capacity.

**Foreign Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and Russian Rubles. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**Equity Risk**

Equity risk is the financial risk involved in holding equity in a particular investment. The Company is exposed to Equity risk arising from a couple of trading book exposures in real equities. The Company's management monitors the market value fluctuations of these equities on a continuous basis and acts accordingly. The Company also calculates capital requirements for these exposures as per the standardized approach from the applicable regulatory framework.

**Traded Debt Instrument Risk (Interest Rate Risk)**

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As at the reference the Company was exposed to Interest Rate risk arising from various trading book exposures in government and corporate bonds. The Company monitors interest rate changes and could change its approach / business model if necessary, in the case of this hazard. The Company also calculates capital requirements for these exposures as per the standardized approach from the applicable regulatory framework.

**Trading Securities**

Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Company classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

Trading securities are carried at fair value and are accounted for at settlement date. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as net profit from trading securities in the period in which they arise.

As at the reference date, the Company held \$16.020.768 Trading Securities, which consisted of Corporate Bonds, Government Bonds and Equity Securities.

The government bonds held at the year-end are Ukraine government bonds. The value of these securities showed a downward dynamic in April 2022 with prices ranging between 47% and 33% of nominal value as of the end of April 2022 due to the adverse effect of the events after the reporting period. More specifically, the Russian invasion of Ukraine and in response the related economic sanctions on Russia (and in certain cases Belarus), from multiple jurisdictions, including the EU, the UK, Switzerland, the US, Canada, Japan and Australia.

**3.3 Risk-to-Firm**

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)** – This looks at the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions. This includes both clients and liquidity providers.
- **K-DTF (Daily Trading Flow)** – This captures the operational risk related to the value of trading activity that the investment firm conducts.
- **K-CON (Concentration Risk)** – This seeks to apply additional own funds to manage concentration to a single counterparty or a group of connected counterparties to which a company incurs Trading Book exposures.

**3.3.1** K-TCD captures the Counterparty Credit Risk arising from an investment firm’s exposure to the default of its trading counterparties. In particular, it looks at the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions, and includes positions with both clients and liquidity providers.

The Company calculates K-TCD capital requirements based on the provisions of IFR Articles 25 to 32 for the margin lending facilities that it provides to its clients.

**3.3.2** K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name (and not on behalf of the client as an agent).

The Company calculates its K-DTF based on the provisions of Article 15 and Article 33 of IFR.

**3.3.3** K-CON seeks to apply additional own funds to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties / issuers to which a company incurs Trading Book exposures.

Concentration risk refers to exposure(s) that may arise within or across different risks throughout the Company with the potential to produce losses large enough to threaten the Company’s health or ability to maintain its core operations, or a material change in the Company’s risk profile.

The definition should encompass the sub-types of credit concentrations as being addressed below, including any exposures to same counterparties, groups of connected counterparties, and counterparties in the same economic/financial sector, geographic region or from the same activity, and the application of credit risk mitigation techniques. Therefore, the Company defines these sub-types and applies mitigation techniques:

- Intra-risk concentration: refers to risk concentration that may arise from interactions between different risk exposures within a single risk. In order to avoid any undue concentrations, the Company follows a quantitative and qualitative approach, at which intra-risk concentrations are assessed, monitored and mitigated by the individual risk disciplines (credit, market, operational risk management, etc).
- Inter-risk concentration: refers to risk concentration that may arise from interactions between different risk exposures across different risk categories. As in the intra-risk concentration, the Company follows this approach

in order to managed inter-risk concentrations through quantitative and qualitative assessments, identifying and assessing risks and providing a holistic view across the Company.

Since Concentration risk can have an impact on capital, liquidity and earnings, the Company integrated the management of these risks into its risk management framework, monitored on an ongoing basis and diversification takes place of its counterparties.

Practically, in accordance with Article 37 of the IFR, the Company is not exposed to large exposures. Furthermore, according to Paragraph 1 of the abovementioned Article, for the prudential supervision of investment firms, the Company is not allowed to have exposures to institutions of more than 100% of the total eligible capital and to non-institutions of more than 25% of the total eligible capital.

As at the end of the year 2021, it has been observed that the Company did not present any large exposures which are above the allowable limits as defined above.

### **3.4 Other Risks**

#### **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

In addition to the Own Funds Requirements, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. As at 31 of December 2021 the Company satisfied the Liquidity Requirement. The Company monitors the level of its liquid assets on a continuous basis.

#### **Operational risk**

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

#### **Compliance risk**

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from noncompliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

## 4 Own Funds

The Company's objectives when managing capital are:

- I. to safeguard the Company's ability to continue as a going concern,
- II. to comply with the capital requirements set by the applicable EU regulatory framework as well as the Regulator (Cyprus Securities and Exchange Commission- CySEC) and
- III. to maintain a strong capital base to support the development of the business.

The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of its clients, creditors, other market participants and to secure the future development of the Company.

The Company monitors Own fund requirements, Capital adequacy and the use of the regulatory capital at least on a quarterly basis, in accordance with the IFR & IFD prudential framework. As at 31 of December 2021, the Company's Own Funds comprised entirely out of Common Equity Tier 1 capital.

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

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

Table 2 below presents the composition of the Company's Own Funds as at 31/12/2021, while Table 3 indicates how these Own Funds reconcile with the Company's Balance Sheet as of this date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As shown below, the Company's Own Funds as at 31 December 2021 amounted to \$ 184.713 thousand.

**Table 2: Template EU IF CC1.01 - Composition of regulatory own funds**

Template EU IF CC1			
Ref		31 Dec 2021 (\$'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross reference to EU IF CC2)
1	<b>OWN FUNDS</b>	<b>184.713</b>	
2	<b>TIER 1 CAPITAL</b>	<b>184.713</b>	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>184.713</b>	
4	Fully paid up capital instruments	384	Ref 1 (Shareholders' Equity)
5	Share premium	741	Ref 2 (Shareholders' Equity)
6	Retained earnings	174.415	Ref 3 & Ref 6 (Shareholders' Equity)
7	Accumulated other comprehensive income	-	
8	Other reserves	(47)	Ref 4 (Shareholders' Equity)
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	(17)	
11	Other funds	9.622	Ref 5 (Shareholders' Equity)
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(262)	Ref 2 & Ref 3 (Assets) as per below
19	(-) Other intangible assets	(38)	Ref 2 (Assets)
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(224)	Ref 3 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(123)	Ref 4 (Assets)
28	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	
40	<b>TIER 2 CAPITAL</b>	-	

**Table 3: Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet**

Template EU IF CC2		
	Balance sheet as in audited financial statements	Cross reference to EU IF CC1
	As at period end (\$ '000)	
<b>Assets - Breakdown by asset classes according to the balance sheet</b>		
<b>Ref</b>		
1	Property, plant and equipment	3.761
2	Intangible assets	38
3	Investments in subsidiaries	224
4	Contribution to Investor Compensation Fund	123
5	Loans Receivable	8.191
6	Trade and other receivables	123.355
7	Trading securities	16.021
8	Refundable Tax	71
9	Cash and cash equivalents	74.786
	<b>Total Assets</b>	<b>226.570</b>
<b>Liabilities - Breakdown by liability classes according to the balance sheet</b>		
1	Lease liabilities	1.023
2	Trade and other payables	39.563
3	Tax liability	869
	<b>Total Liabilities</b>	<b>41.455</b>
<b>Shareholders' Equity</b>		
1	Share capital	384
2	Share premium	741
3	Translation reserve	(47)
4	Capital reserve	9.622
5	Retained Earnings	174.415
	<b>Total Shareholders' equity</b>	<b>185.115</b>

### Dividends

On 20 April 2021, the Board of Directors approved the payment of an interim dividend of US\$30.000.000 out of profits of the year ended 31/12/2020.

On 30 August 2021, the Board of Directors approved the payment of an interim dividend of US\$78.000.000 out of profits available for distribution. The Company paid and recognized US\$70.000.000 as at 31 December 2021. Out of the remaining US\$8.000.000, US\$2.000.000 were paid during March 2022 and the Board of Directors intends to pay US\$6.000.000 by June 2022.

## 5 Capital Requirements

The new framework IFR & IFD introduces a different approach for calculating the Minimum Capital Requirements, which dictates for Class 2 investment firms, 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.

### Fixed Overheads Requirement ("FOR")

The Company's policy is to monitor Fixed Overheads Requirements at least on a quarterly basis. The Company complies with Article 13 of the IFR stating that the Company shall hold Own Funds of at least one quarter of the fixed overhead expenses of the preceding year. The Fixed Overheads Requirement as at 31 December 2021 amounted to US\$4.977 thousand.

### Permanent Minimum Capital Requirement ("PMCR")

**Table 4: Minimum Capital Requirements**

Minimum Capital Requirements	31 <sup>st</sup> December 2021
	(\$ '000)
<b>Risk to client</b>	<b>5.419</b>
<i>Assets under management</i>	-
<i>Client money held - Segregated</i>	2.392
<i>Client money held - Non-segregated</i>	-
<i>Assets safeguarded and administered</i>	1.539
<i>Client orders handled - Cash trades</i>	1.486
<i>Client orders handled - Derivatives Trades</i>	2
<b>Risk to market</b>	<b>3.119</b>
<i>K-Net positions risk requirement</i>	3.119
<i>Clearing margin given</i>	N/A
<b>Risk to firm</b>	<b>6</b>
<i>Trading counterparty default</i>	5
<i>Daily trading flow - Cash trades</i>	1
<i>Daily trading flow - Derivative trades</i>	-
<i>K-Concentration risk requirement</i>	-
<b>Total K-Factor Requirement</b>	<b>8.544</b>
<b>Fixed Overhead Requirement ('FOR')</b>	
<i>FOR</i>	<b>4.977</b>
<b>Permanent Minimum Capital Requirement ('PMCR')</b>	
<i>PMCR</i>	<b>849</b>
<b>Total Own Funds Requirements</b>	<b>8.544</b>

The Company's policy is to monitor on a continuous basis its Own Funds and ensure that they remain above the Permanent Minimum Capital Requirement of €750 thousand (\$849 thousand equivalently), which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD.

Table 4 breaks down the Pillar minimum capital requirement that the Company is required to hold as of 31st December 2021. The Company's K-factor requirement is calculated in accordance with Articles 16 through to 33 of IFR. As stated in Article 11(1) of IFR, the Company is required to hold the higher of its K-factor requirement, fixed overhead requirement and permanent minimum capital requirement.

Therefore, with the new IFR & IFD requirements, the Company's Own Funds Requirement as at 31 December 2021 should have been at least the Total K-Factor Requirement of \$8.544 ('000).

The Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to \$184.713 ('000) which exceeds the Own Funds Requirement of \$8.544 ('000) resulting to a capital surplus of \$176.169 ('000). Therefore, the Capital Adequacy (CAD) ratio was calculated at 2161,83%, well above the 100% minimum CAD ratio set out in Article 9(1)(c) of IFR. Shown in Table 5.

**Table 5: Capital Excess/Ratio**

	<b>31<sup>st</sup> December 2021 (\$'000)</b>	<b>Reference</b>
<b>Capital</b>		
Common Equity Tier 1	184.713	a
Additional Tier 1	-	b
Tier 2	-	c
<b>Total Own Funds</b>	<b>184.713</b>	<b>d = (a + b + c)</b>
<b>Own Funds Requirement</b>		
K-factor Requirement	8.544	e
Fixed Overhead Requirement	4.977	f
Permanent Minimum Capital Requirement	849	g
<b>Minimum Own Funds Requirement</b>	<b>8.544</b>	<b>h = max(e, f, g)</b>
<b>Capital Surplus/Ratio</b>		
<b>CET 1 Ratio</b>	<b>2161,83%</b>	<b>a / h</b>
Surplus(+)/Deficit(-) of CET 1 Capital	179.929	a - (h * 56%)
<b>Tier 1 Ratio</b>	<b>2161,83%</b>	<b>(a + b) / h</b>
Surplus(+)/Deficit(-) of Tier 1 Capital	178.305	(a + b) - (h * 75%)
<b>Own Funds Ratio</b>	<b>2161,83%</b>	<b>d / h</b>
Surplus(+)/Deficit(-) of Total capital	176.169	d - h

The Company does not have any crypto-asset exposure (either as a derivative contract, or real crypto).

## 6 Remuneration Policy and Practices

The board of directors of the Company established on 11 August 2016 and implements remuneration policies and practices (hereinafter the “Remuneration policies and practices”) that are consistent with and promote sound and effective risk management and do not encourage risk-taking that exceeds the level of tolerated risk of the Company, in compliance with the requirements of L. 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets, Directive (EU) 2019/2034 and the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021), Circular 181, Circular C138, The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007-2018 as well as the applicable European regulatory framework.

In addition, the Company’s Remuneration policies and practices have been designed so as not to create incentives that may lead persons to favor their own interests or the Company’s interests to the potential detriment of clients.

FFEU’s remuneration policy is set by the Board of Directors. The level of remuneration offered by FFEU to management and staff is established based on skills, knowledge, individual performance, and the remuneration offered by other companies that are similar in size and range of activities.

The remuneration structure offered by FFEU to management and staff comprises of a fixed salary cash component and once per year variable one. Variable pay component (cash or non-cash) is performed solely relating bonuses at the end of the year. Directors or employees of FFEU do not receive performance-based remuneration. Bonuses and other remunerations are not based or linked to sales targets (sale of specific financial instruments or of a specific category of financial instrument), or the value of transactions, or the value of clients’ deposits, or on retention of clients, or on the number of new clients attracted, or on any other clients’ connected performance.

Albeit, annually, at the end of the year, Directors or/and employees of FFEU receive performance-based remuneration. Bonuses and other remunerations are linked to personal targets and confirmed by the Executive Director. Meanwhile bonuses and other remuneration are not based on sales targets (sale of specific financial instruments or of a specific category of financial instrument), or the value of transactions, or the value of clients’ deposits, or on retention of clients, or on the number of new clients attracted, or on any other clients’ connected performance.

The remuneration varies for different positions/roles depending on each position’s actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. Staff engaged in control functions is independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

Table 6 provides aggregate quantitative information on remuneration, broken down by Senior Management (including Non-Executive Directors) and members of staff whose actions have a material impact on the risk profile of the Company.

One member of the Board is not remunerated by the Company. The fees of Non-Executive Directors include fees payable to them as members of the Company's Board as well as for being members of the Board's Committees. They include the fees for the period that they serve as members of the Board.

During 2021 the Company did not award any non-cash remuneration benefits, outstanding deferred remuneration or severance payments.

**Table 6: Quantitative information on remuneration**

<b>Aggregate Remuneration for the year ended 31<sup>st</sup> December 2021</b>				
	<b>No. of beneficiaries</b>	<b>Fixed Remuneration \$'000</b>	<b>Variable Remuneration \$'000</b>	<b>Total Remuneration \$'000</b>
Senior Management	4	623	-	623
Other Staff	20	1.258	743	2.001
<b>Total</b>	<b>24</b>	<b>1.881</b>	<b>743</b>	<b>2.624</b>

## 7 Investment Policy

According to paragraph 1 of IFR Article 52, investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of Directive (EU) 2019/2034 shall disclose the following in accordance with IFR Article 46 of this Regulation:

- 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 paragraph 2 of IFR Article 52, 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
- 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 paragraph 2 IFR Article 52.

Article 52 (2) of the IFR states:

“The investment firm referred to in paragraph 1 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.”

As at the reference date the Company did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

## 8 The Impact of COVID-19 pandemic on the Company

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no impact in the Company's profitability. The event did not have an immediate material impact on the business operations. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

## 9 Russian invasion of Ukraine

On 21 February 2022, the Russian Federation officially recognised two breakaway regions in eastern Ukraine and authorised the use of military force in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military operations in multiple locations. These ongoing operations have led to casualties, significant dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. In response, multiple jurisdictions, including the EU, the UK, Switzerland, the US, Canada, Japan and Australia have announced initial tranches of economic sanctions on Russia (and in certain cases Belarus), which target certain individuals and legal entities, including financial institutions. New sanctions may be implemented at short notice and may be broadened to include more individuals, further entities, and a wider range of goods and services. Russia has begun to introduce retaliatory measures in response and may also escalate these.

In addition to the imposition of sanctions, a growing number of large public and private companies have announced voluntary actions to curtail business activities with Russia. These actions include plans to dispose of assets or discontinue operations in Russia, curtailing exports to, or imports from, the country and discontinuing the provision of services to the Russian state and businesses. Further, a number of Russian publicly listed entities have had their listings suspended on certain stock exchanges and been excluded from market indices. The Russian central bank has temporarily suspended stocks and derivatives trading, and local authorities have also temporarily barred foreign investors from selling Russian assets and placed significant limitations on any payments to foreign entities, e.g. to settle financial liabilities. Several global credit ratings agencies have also downgraded Russia's sovereign debt to junk status, based on their assessments of the potential impact of international sanctions.

The conflict in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and exacerbate the effects of current market conditions. Many sectors/jurisdictions are already facing the impacts of rising commodity prices and increased raw materials costs, as a result of surging consumer demand as the COVID-19 pandemic eases. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to high level of uncertainties arising from the inability to reliably predict the outcome. This event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management took all the necessary measures to ensure that the Company complies with the applicable sanctions regime. Management will continue to monitor the situation closely and will consider the use of the business continuity plan that the Company has in place in case the period of disruption becomes prolonged. The management cannot however preclude the possibility that an escalation of the conflict and consequential adverse impact on the economic environment in which the Company operates will not have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. Management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

**Appendix – Own Funds Main Features**

<b><i>Common Equity Shares</i></b>		
1	Issuer	Freedom Finance Europe Ltd
2	Unique identifier (Legal Entity Identifier)	2138006Q4P69VVS8MZ72
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
<b><i>Regulatory Treatment</i></b>		
6	Amount recognised in regulatory capital	\$1.125.435
7	Nominal amount of instrument	€300.000 or \$384.359
8	Issue price	€1,00 each
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	05 August 2013, 250.000 ordinary shares 21 November 2016, 50.000 ordinary shares
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<b><i>Coupons / dividends</i></b>		
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)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Noncumulative
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

(1) Insert 'N/A' if the question is not applicable