



Marcuard Heritage Group

Disclosure and market discipline report

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

July 2022



Contents

1	Introduction	3
1.1	About Marquard Heritage Holding Limited	3
1.2	Group Information	3
1.3	Pillar III Regulatory Framework.....	4
1.4	Russian invasion of Ukraine	5
1.5	Implications of COVID-19	5
2	Risk Management Arrangements	5
2.1	Risk Management Objectives and Policies	5
2.1.1	The Group's Approach to Risk Management	5
2.1.2	Risk Management Function	6
2.1.3	Internal Audit	6
2.1.4	Compliance Function	7
2.1.5	Anti-Money Laundering Compliance Function.....	7
2.1.6	Risk Appetite Statement	8
2.1.7	Internal Capital Adequacy and Risk Assessment Process	9
2.2	Risk Governance – Board and Committees	9
2.2.1	Board of Directors.....	9
2.2.2	Number of directorships held by members of the Board.....	11
2.2.3	Diversity Policy	13
3	Principal Risks.....	14
3.1	Risk to Client	15
3.2	Risk to Market	16
3.2.1	K-NPR.....	16
3.3	Risk to Firm	17
3.4	Other Risks	17
3.4.1	Legal, Compliance and Regulatory Risk	17
3.4.2	Reputation Risk	17
3.4.3	Liquidity Risk	18
3.4.4	Operational Risk (other than daily trading flow).....	18
4	Own Funds.....	18
5	Minimum Capital Requirements.....	21
5.1	Capital Requirements	21
5.1.1	Fixed Overheads Requirement ("FOR")	21
5.1.2	Permanent Minimum Capital Requirement ("PMCR").....	21
6	Remuneration Policy and Practices	23
6.1	Performance Appraisal	24
7	Appendix I – Main Features of Own Funds	26



1 Introduction

1.1 About Marcuard Heritage Holding Limited

Marcuard Heritage Holding Limited (“the Company”) is the parent Company of a group of Investment Firms around the world. The Company was incorporated in Cyprus on 30 December 2011 as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 12, Archbishop Makarios III Avenue, Zavos Kristelina Tower, Office 202, 4000 Mesa Geitonia, Limassol, Cyprus and has a LEI Code of 549300BNOBTLPIRANW48.

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of finance to the group. The disclosure currency of the MH Group is the Euro (€).

1.2 Group Information

The present Disclosures document is prepared on a consolidated basis and reflects information that relates to the Marcuard Heritage Holding Limited (hereinafter the “MH Group”), which for the purposes of this document comprises of the Group and its subsidiary entities. The Group is licensed, through its respective subsidiaries, to offer the Investment services of Portfolio Management, Fund Management and Investment advice. The Group also offers the Ancillary services of safekeeping and administration of financial instruments including custodianship and related services, and foreign exchange services where these are connected to the provision of investment services.

The obligation for consolidated Pillar III reporting arises from the fact that the Group was subject to consolidated supervision at the level of the Company, as at 31st of December 2021.

The subsidiaries of the Group as at 31st of December 2021 and their country of registration are enlisted below:

Table 1: Subsidiaries of the Group

Subsidiary	Country of Incorporation	Regulatory Authority	LEI
Marcuard Heritage (Europe) Ltd	Cyprus	CySec (Cyprus Securities and exchange commission)	21380092PBQSQNXXZMH30
Marcuard Heritage AG	Switzerland	Swiss Financial Market Supervisory Authority (FINMA))	54930006JRC4SJHRGY23
Marcuard Heritage (Singapore) Pte Ltd	Singapore	Monetary Authority of Singapore	549300RY5Y39RYAYNL86
Alpinum Investment Management AG	Switzerland	Swiss Financial Market Supervisory Authority (FINMA)	5299007E27YC1RZX6433



1.3 Pillar III Regulatory Framework

The capital adequacy and overall risk management requirements that applied until recently to the MH Group 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.

It is further noted that, in view of the fact that the Group includes at least one (1) Class 2 investment firm, the Group considers that it is subject to all the Class 2 prudential requirements at the consolidated level as well.

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 Group, are summarised below:

- Pillar I - Minimum Capital Requirements - ensures that the Group 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 Group actively assess, control and mitigate the various risks that the Group faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Group's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Group 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 31st of December 2021.

The regulatory requirement is to publish the disclosures on an annual basis. Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed.

The Group's Pillar III disclosures are subject to internal review and validation. This includes approval by the Chief Executive Officer (CEO) and the Risk Manager of the Group, which acts as the reporting entity to the consolidating supervisor, CySEC, for prudential reports prepared on a consolidated basis.

This Group's Pillar III disclosures can be found on the Group's website at <https://marcuardheritage.com/>

We note that the Group for the 2021 year end, is not considered significant CIF. However for 2022 according to CySEC Circular No 487 the Group has been assessed as a significant CIF, since its on and off-balance sheet assets are on average greater than EUR 100 million over the four-year period immediately preceding the given financial year.



1.4 Russian invasion of Ukraine

In light of the new developments in relation to the Russian Federation's decision to proceed with the recognition of the non-government-controlled areas of the Donetsk and Luhansk oblasts of Ukraine as independent entities, and the subsequent decision to send Russian troops into these areas as well as subsequently in other areas, the Council of the European Union has imposed and continues to impose targeted restrictive measures.

The restrictive measures imposed, include an asset freeze and a prohibition from making funds available to the listed individuals and entities. In addition, a travel ban applicable to the listed persons prevents them from entering or transiting through EU territory. Governments, including the Republic of Cyprus, have adopted these measures/sanctions.

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 the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome. Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures to the Group.

Management is in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs.

1.5 Implications of COVID-19

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.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year. The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Group.

In parallel, governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impact of the COVID-19 coronavirus pandemic. The Group has not applied for such government assistance.

Depending on the duration of the Coronavirus disease (COVID-19) pandemic, and continued negative impact on economic activity, the Management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its activities in the current business and economic environment. The event did not have an immediate material impact on the business operations.

2 Risk Management Arrangements

2.1 Risk Management Objectives and Policies

2.1.1 The Group's Approach to Risk Management

Managing risk effectively in a multidimensional organisation, operating in a continuously changing risk environment, requires strong risk management principles. As a result, the MH Group has established an effective risk oversight structure (primarily at each entity level) and the necessary internal organisational 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 Function

The MH Group's Management is primarily responsible for managing risks and ensuring that the MH Group's business strategy does not expose the MH Group to undue risk. It should be noted that due to the MH Group's size, simple internal structure and the nature, and low level of complexity of the MH Group's activities. Therefore, the MH Group risk committee is not set up and, in line with the provisions of the Law, the risk management duties are performed by the Risk Manager of each MH Group entity, which may combine this function together with the Compliance and Anti-Money Laundering function and all risk categories are communicated under the same process.

Marcuard's Risk Management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all risks Marcuard is exposed to and has flexibility to accommodate any change in business activities.

Some of the duties and responsibilities of the Risk Management function include:

- Establish, implement and maintain adequate risk management policies and procedures, which identify the risks relating to the Company's activities and processes.
- Establish, implement and maintain adequate Internal Capital Adequacy & Risk Assessment ("ICARA") Process, produce reports at least annually, adjust the Process whenever significant changes arise.
- Development of administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.
- Analyse for the Investment Committee the potential hazards associated with the recommended framework on which investment decisions are based.

2.1.3 Internal Audit

The Internal Audit function is an independent activity from all other functions within the MH Group entity reporting directly to the respective Board of Directors.

The main objective of the Internal Audit function is to provide the Board of Directors with reasonable assurance that:

- the business is conducted in an orderly and efficient manner;
- there is adherence to laws and regulations as well as MH Group entity's policies;
- transactions are executed in accordance with management's authorisation and are accurately and completely recorded in the MH Group entity's systems.

The MH Group entity's management is responsible for establishing and maintaining an appropriate system of internal control, which will assist in the detection and prevention of irregularities and fraud. The internal audit function is an element of the internal control framework established by management to examine, evaluate and report on financial and other controls in place.

The Board of Directors is responsible to maintain a healthy system of internal control in order to safeguard shareholders' investments and the MH Group's assets. Directors should periodically assess and review the effectiveness of the policies and procedures, which are in place to comply with the obligations deriving from the Law, and relevant directives as well as the effectiveness of the MH Group's system of internal control and take appropriate measures to address any deficiencies.

The Board of Directors will exercise supervision and control to ensure the effectiveness of the internal audit function through:



- Establishment of appropriate procedures that will ensure the effectiveness of the internal control system.
- Implementation of an effective evaluation system by which the work of the internal audit function will be evaluated.
- Establishment of efficient communication channels between the internal audit function and the respective Board of Directors, MH Group's management and the external auditors for the exchange of information and views regarding internal control issues.

2.1.4 Compliance Function

The MH Group is required to establish and maintain a permanent and effective Compliance Function across each of the regulated entities which operate independently and which has, inter alia, the responsibility to monitor and to assess the adequacy and the effectiveness of the measures and procedures in place and the actions taken to address any deficiencies in the MH Group entity's compliance with its obligations under the Law, to advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the MH Group entity's obligations under the Law.

In addition to the abovementioned principal roles, the Compliance Officer has the following specific Duties and Responsibilities:

- Monitor books and records,
- Monitor counterparties agreements,
- Monitor promotional material and advertisements,
- Review the MH Group entity's website frequently to ensure compliance with the regulatory framework,
- Monitor conformance to the legal and regulatory framework,
- Monitor support units and general operations relating to compliance,
- Be up-to-date with changes in the legislation and the issuance of new directives,
- Train and educate employees on regulatory requirements on an ongoing basis,
- Ensure that the management does not exercise inappropriate influence over the way in which relevant persons carry out their responsibilities,
- Ensure that procedures pertaining the MH Group entity's conflict of interest policy are followed,
- Assist in the identification and resolution of conflicts of interest,
- Monitor the existence of Chinese walls between the various departments,
- Monitor personal transactions of the relevant persons,
- Monitor procedures regarding obligations for reporting to clients,
- Investigate and handle client complaints,
- Oversee the development and periodic review of the Group's product governance arrangements,
- Prepare and submit to the BoD frequently and at least annually written reports on the reviews carried out on the MH Group entity's businesses, and
- Ensure compliance with the provisions of the Commission's Circular C401 regarding the CIF Record Content (where applicable).

2.1.5 Anti-Money Laundering Compliance Function

The AML Officer takes into account the nature, scale and complexity of the business, and the nature and range of investment services and activities undertaken in the course of that business. The AML Officer reports to the BoD.



In addition, the Group's regulated entities have appointed an Alternate AML Officer respectively, who temporarily replaces AML Officer in case of his/her absence. The conditions of the appointment of the Alternative AML Officer shall be similar to the appointment of an AML Officer.

Where it is deemed necessary due to the volume and/or the geographic spread of the services/activities, assistants of the AML Officer are appointed, by geographical district or otherwise for the purpose of assisting the compliance officer and passing internal suspicion reports to him.

Some of the AML Officer's duties and responsibilities are highlighted below:

- Ensuring compliance with laws, directives and circulars at times issued by CySEC (or other relevant regulator) and taking action in cases where non-compliance is identified;
- To monitor and to assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Group entity's compliance with its respective regulatory obligations;
- Advising and assisting the relevant persons responsible for carrying out investment services and activities to comply with the Group entity's obligations under the respective Law and Directives;
- To deal with conflict of interest situations in order to ensure that they are handled in accordance with the respective regulation;
- Designing, based on the general policy principles developed by the BoD, the internal practice, measures, procedures and controls relevant to the prevention of ML and TF, describes and explicitly allocates the appropriateness and the limits of responsibility of each department that is involved in the abovementioned.

2.1.6 Risk Appetite Statement

Risk appetite expresses the amount and type of risks considered reasonable to undertake in order to:

- implement its business strategy;
- maintain its ordinary activity in the event of unexpected events that could have a negative impact on its level of capital;
- maintain acceptable level of profitability and return; and
- ensure its long-term viability and going concern.

Risk appetite is defined as the maximum level of risk the MH Group (and respective regulated entity) can assume in both normal and distressed situations before breaching respective regulatory constraints and its obligations to stakeholders.

The respective BoD is responsible for establishing the risk appetite, monitoring the risk profile and ensuring the consistency between both. Senior management is responsible for achieving the desired risk profile by managing risks during the day to day operations of the MH Group entities. The establishment of the risk appetite covers both the risks whose assumption constitutes the strategic objective and for which maximum exposure criteria are set - minimum objectives of return/risk - as well as those whose assumptions are not desired, but which cannot be avoided in an integral way. The BoD will ensure that the amount and type of risks relevant for the firm have been considered. These derive from the annual budget approved as well as the medium-term strategic plan. It also ensures that adequate resources have been assigned to manage and control these risks. The respective BoD periodically revises the MH Group entity's risk appetite and its management framework, at least on an annual basis, by analyzing the impact of unlikely but plausible tension scenarios and adopting the pertinent measures to ensure the policies set are met.

Risk appetite is an integral part in the business planning and its purpose is to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and tolerance levels for the risks faced. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.



The MH Group has minimum risk appetite and is not willing to take any unnecessary risks. The MH Group has established an effective oversight structure and necessary internal organizational controls to ensure that it identifies and manages its risks adequately, establishes appropriate policies and procedures, set the relevant limits and comply with the relevant legislation. The respective Board expresses the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across three categories:

- Financial: credit, market, foreign exchange and liquidity risks
- Reputational: regulatory and external reputational risk
- Operational & People: the risk associated with the failure of key processes or systems and the risk of not having the right quality and quantity of people to operate those processes and systems

2.1.7 Internal Capital Adequacy and Risk Assessment Process

The MH Group is in the process of updating its existing Internal Capital Adequacy and Assessment Process (“ICAAP”) in order to prepare its first Internal Capital Adequacy and Risk Assessment (“ICARA”) Process, 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 will form the basis of the MH Group’s Pillar II requirements that the MH Group 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 is embedded in the core of the MH Group’s operations and serves as a valuable Risk Management tool which ensures that the Group’s Risk Management framework receives the necessary attention from all the related functions/personnel of the Group, while contributing towards a robust organization by promoting a risk-averse culture within the Group.

The Board of the MH Group and the Senior Management ensure the appropriate design, adoption and implementation of the Group’s ICARA, by performing their ICARA-related duties and responsibilities as these are detailed in the relevant manual of the Group.

2.2 Risk Governance – Board and Committees

2.2.1 Board of Directors

The Board of Directors of the Holding Company, as at the reference date, consisted of five Executives and one Non-Executive members, of which was also Independent.

The Board of Directors’ responsibilities

The Board of Directors meets regularly during the year and it has a formal schedule for the matters that the Board needs to take decisions.

The respective Board is responsible for ensuring that the MH Group entity complies with its obligations under the respective Law. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the respective Law, and to take appropriate measures to address any deficiencies.

The respective Board ensures that it receives on a frequent basis and at least annually written reports (as applicable by its local regulator) indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies regarding e.g. in the case of MHEU:



- a) Internal Audit
- b) Anti-Money Laundering
- c) Compliance
- d) Risk Management
- e) ICAAP

The respective Board is responsible for the monitoring of the internal control mechanisms of the Group entity to enable prevention of activities outside the scope and strategy of the MH Group entity and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

The respective Board determines, records and approves the general policy principles of the MH Group entity in relation to the prevention of money laundering and terrorist financing and communicates them to the AML Officer.

The respective Board also appoints one of the members of BoD as AML Director (where required by the local regulator), who is responsible for the implementation of the provisions of the AML Manual, current AML Law and Directives and /or circulars and /or regulations issued pursuant thereto including any relevant acts of the European Union (where applicable).

The AML Director acts as the first point of contact for Money Laundering Compliance Officer (MLCO) or Internal Auditor in relation to any ML & TF issues, identified in the MH Group entity. More information on the duties of the AML Director is provided in the MH Group entity's AML Policy. The respective Board ensures that the MH Group entity maintains and implements an adequate internal control mechanism. The directors have the responsibility to ensure that proper books and accounting records are kept and an adequate system of internal controls is in place and functioning properly. In despatching their responsibility with regards these duties the board reviews the reports received by independent advisors regarding these matters.

The respective Board will monitor the performance of the relevant Investment Committee and will ensure that the MH Group entity complies with its legal obligations to CySEC (or its relevant local regulator).

Furthermore, the respective Board passes a resolution for selecting a service provider for outsourcing.

Executive Directors take part in the operation of the Group entities and, as appropriate, in the provision of investment services. The non-Executive and independent directors monitor the operations of the MH Group entity through his/her participation in the various meetings of the respective Board, and will also request, when necessary, information and reports from the management of the Group entity.

Some further matters included on the schedule of the Board are:

- The targets and strategic policy objectives of the Group entity
- Annual budget and business plans
- Unusual transactions
- Changes to the application of the accounting principles
- Related party transactions
- The selection, appointment and dismissal of executive management of the Group entity

Any decisions taken at the respective Board meetings should be by a majority of votes. In order to have a quorum two members should be present. In case of an equality of votes, the final decision taken will be determined by the Chairman's casting vote.

Matters discussed during Board meetings are minuted. Board minutes are signed (via email approval) by all members of the Board that were present at the meeting.



2.2.2 Number of directorships held by members of the Board

The table below provides the number of directorships that each member of the management body of the MH Group holds at the same time in other entities, including the one in the MH Group. For the purposes of the below, executive or non-executive 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.

Table 2: Directorships of Board Members

Marcuard Heritage (Europe) Ltd.

Name	Position with Marcuard Heritage (Europe) Ltd	Total number of Directorships
Alexis Xenophontos	Executive Director	1
Sinan Robert Bodmer (resigned on 30/09/2021)	Executive Director	6
Charalambos Papanikolaou (appointed on 30/09/2021)	Executive Director	1
Andreas Hadjimichael	Non-Executive Director	8
Anastasios Nikolaou	Non-Executive Director	7
Hakan Sandro Sesle (appointed on 30/09/2021)	Non-Executive Director	1

Note: The information in this table is based only on representations made by the Marcuard Heritage (Europe) Ltd.

Marcuard Heritage Holding Ltd. (MH Group, the Parent Group)

Name	Position with Marcuard Heritage Holding Ltd	Total number of Directorships
Adrian Guldener	Executive Director	3
Anastasios Nikolaou	Executive Director	7
Sinan Bodmer	Executive Director	6
Andreas Hadjimichael	Executive Director	8
Gabriel Petrou	Executive Director	7
Andreas Schüpach	Non-Executive Director	2



Note: The information in this table is based only on representations made by the Marcuard Heritage Holding Ltd.

Alpinum Investment Management AG

Name	Position with Alpinum Investment Management AG	Total number of Directorships
Marcus Wintsch	Non-Executive Director	4
Klaus Michael Kuenzi	Non-Executive Director	1
Alfred Strebel	Non-Executive Director	2
Robert Bucher	Non-Executive Director	3
Patrick Stauber	Non-Executive Director	4

Note: The information in this table is based only on representations made by the Alpinum Investment Management AG.

Marcuard Heritage AG

Name	Position with Marcuard Heritage AG	Total number of Directorships
Sinan Bodmer	Non-Executive Director	6
Adrian Guldener	None-Executive Director, Chairman	3
Patrick Stauber	Executive Director	4

Note: The information in this table is based only on representations made by Marcuard Heritage AG.

Marcuard Heritage (Singapore) Limited

Name	Position with Marcuard Heritage (Singapore) Limited	Total number of Directorships
Patrick Stauber	Non-Executive Director	4
Sinan Bodmer	Executive Director	6

Note: The information in this table is based only on representations made by the Marcuard Heritage (Singapore) Limited



2.2.3 Diversity Policy

The objectives of the policy is to ensure that the management body is sufficiently diverse as regards Educational and professional background, age, gender, geographical provenance and other qualities of those within the management body responsible for the management of Marcuard.

Whilst these differences will be considered in determining the optimum composition of the respective Board all appointments are made on merit against objective criteria, within the context of the skills, background and experience the management team as a whole requires to be effective. Marcuard Group entities ensure that they adequately set out and describe the role and capabilities required for any given appointment to the management body.

The selection procedure and recruitment process will remain independent in nature, in so far as this is possible given the size and structure of Marcuard and in consideration as to who ultimately has the necessary authority to make decisions regarding recruitment into the governing body of Marcuard. Adequate notes and records will be maintained throughout the process so compliance with this policy can be reviewed.

Individual requirements

Members should have an up-to-date understanding of Marcuard business and its risks and be able to contribute to the implementation of an appropriate corporate culture.

Members of the management body must possess sufficient knowledge, skills and experience, be of good repute and be able to act with honesty and integrity, and independent.

Adequate knowledge, skills and experience

The assessment of adequate knowledge, skills and experience should consider the role and duties of the position and the required capabilities and the knowledge and skills attained through education, training and practice, the practical and professional experience gained in previous positions and the knowledge and skills acquired and demonstrated by the professional conduct of the member of the management body.

The level and profile of the education of the member and whether or not it relates to banking and financial services or other relevant areas should be considered. The assessment should not be limited to the educational degree of the member or proof of a certain period of service in an institution.

When assessing the knowledge, skills and experience of a member of the management body, consideration should be given to theoretical and practical experience relating to banking and financial markets, legal requirements and regulatory framework, strategic planning, the understanding of an institution's business strategy or business plan and accomplishment thereof, risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of an institution), accounting and auditing, the assessment of the effectiveness of an institution's arrangements, ensuring effective governance, oversight and controls and the interpretation of an institution's financial information, the identification of key issues based on this information, and appropriate controls and measures.

When assessing the practical and professional experience gained from previous positions, particular consideration should be given to the nature of the management position held and its hierarchical level; b. the length of service, the nature and complexity of the business where the position was held, including its organisational structure, the scope of competencies, decision-making powers, and responsibilities of the member, the technical knowledge gained through the position and the number of subordinates.

Reputation, honesty, and integrity

A member of the management body should be deemed to be of good repute and of honesty and integrity if there are no objective and demonstrable grounds to suggest otherwise.

The following factors should at least be considered in the assessment of reputation, honesty and integrity:



convictions or ongoing prosecutions for a criminal offence, in particular, offences under the laws governing banking, financial, securities, insurance activities, or concerning securities markets or financial or payment instruments, including laws on money laundering, corruption, market manipulation, or insider dealing and usury, offences of dishonesty, fraud or financial crime, tax offences; and other offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection. Also, any other relevant current or past measures taken by any regulatory or professional body for non-compliance with any relevant provisions governing banking, financial, securities, or insurance activities.

The following situations relating to the past and present business performance and financial soundness of a member of the management body should be considered, with regard to their potential impact on the member's reputation, integrity and honesty being a defaulting debtor (e.g. having negative records at a reliable credit bureau if available), financial and business performance of entities owned or directed by the member or in which the member had or has significant share or influence with special consideration to any bankruptcy and winding-up proceedings and whether or not and how the member has contributed to the situation that led to the proceedings, declaration of personal bankruptcy and without prejudice to the presumption of innocence, civil lawsuits, administrative or criminal proceedings, large investments or exposures and loans taken out, in so far as they can have a significant impact on the financial soundness of the member or entities owned or directed by him or her, or in which the member has a significant share.

A member of the management body should uphold high standards of integrity and honesty. At least the following factors should also be considered in the assessment of reputation, honesty and integrity, any evidence that the person has not been transparent, open, and cooperative in his or her dealings with competent authorities, refusal, revocation, withdrawal or expulsion of any registration, authorisation, membership, or licence to carry out a trade, business, or profession, the reasons for any dismissal from employment or from any position of trust, fiduciary relationship, or similar situation, or for having been asked to resign from employment in such a position, disqualification by any relevant competent authority from acting as a member of the management body, including persons who effectively direct the business of an entity and any other evidence that suggests that the person acts in a manner that is not in line with high standards of conduct.

Sufficient time commitment of a member of the management body

In the assessment of sufficient time commitment of a member, the MH Group entity should take at least the following into account: The number of directorships in financial and non-financial companies held by that member at the same time, taking into account possible synergies when they are held within the same group, including when acting on behalf of a legal person or as an alternate of a member of the management body, the size, nature, scope and complexity of the activities of the entity where the member holds a directorship and, in particular, whether or not the entity is a non EU entity, the member's geographical presence and the travel time required for the role, the number of meetings scheduled for the management body, the directorships in organisations which do not pursue predominantly commercial objectives held by that member at the same time, any necessary meetings to be held, in particular, with competent authorities or other internal or external stakeholders outside the management body's formal meeting schedule, the nature of specific position and the responsibilities of the member, including specific roles such as CEO, chairperson, or chair or member of a committee, whether the member holds an executive or non- executive position, and the need of that member to attend meetings in the companies listed in point (a) and in Marcuard, other external professional or political activities, and any other functions and relevant activities, both within and outside the financial sector and both within and outside the EU, the necessary induction and training, any other relevant duties of the member that institutions consider to be necessary to take into account when carrying out the assessment of sufficient time commitment of a member.

The MH Group entities should keep records of all external professional and political positions held by the members of the management body. Such records should be updated whenever a member notifies the institution of a change and when such changes come otherwise to the attention of the MH Group entity.

3 Principal Risks

This section sets out the Group entities's objectives and policies to manage each key risk that arises from its activities and operations, as well as the strategies and processes it has put in place in order to manage and mitigate each such risk. The below are applicable only to the EU regulated entity of the Group:



3.1 Risk to Client

Risk to Client (“RtC”) is the risk that an investment firm poses to its clients in the event where it fails to properly carry out the services being offered to them. It reflects the risk 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 through which some of the core aspects of RtC are being captured and measured, and which act as proxies that cover the specific business areas that are referred to above. These K-factors consist of the following:

- **K-AUM (Assets Under Management)** – K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. As the MH Group provides portfolio management or investment advice services during the year ending 31 December 2021, the Group was subject to the risk relating to this K-factor.

Risk Mitigation Measures:

Portfolio management means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

The EU regulated entity of MH Group manages client portfolios in a manner that serves, in the best possible way, client interests. It carries out the service of Portfolio Management, with all due professional care acting in compliance with the rules of the relevant legislation. The EU regulated entity of MH Group, when providing the investment service of portfolio management, obtains the necessary information regarding the client's knowledge and experience in the investment field relevant to the specific type of product or service, and the client's financial situation and investment objectives as to be able to recommend investment services and financial instruments that are suitable to client. In addition it provides personal recommendation to the Client in relation to one or more transactions related to financial instruments in accordance with the client's risk profile and any other guidelines given but does not include a recommendation that is issued exclusively through distribution channels or to the public.

- **K-CMH (Client Money Held)** – K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. As part of its business, the Group did not provide such a service and to this end, it was not subject to the risk captured by this K-factor.
- **K-ASA (Assets Safeguarded and Administered)** – K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own balance sheet or in third-party accounts. During the year under review, the EU regulated entity of MH Group did not authorise to provide safeguarding services in relation to the clients' financial instruments, and was therefore not subject to the risk relating to K-ASA for these client trades.
- **K-COH (Client Orders Handled)** – Captures the potential risk to clients of an investment firm which executes orders in the name of the client. As the EU regulated entity of MH Group did not provide the investment services of reception and transmission of orders in relation to one or more financial instruments and execution of orders on behalf of clients during the year ending 31 December 2021, it was not subject to the risk relating to this K-factor.



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 that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)** – This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with 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 Group's income or the value of its holding of financial instruments. As the MH Group provides only the investment services of portfolio management and investment advice, it is not exposed to Market Risk regarding any trading activities. However, the Group is still subject to foreign exchange risk, which is a subset of K-NPR, from assets and liabilities denominated in currencies other than its reporting currency, the Euro.
- **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 Group's size of relevant operations during 2021, this K-factor is not applicable to the MH Group.

3.2.1 K-NPR

The MH Group's exposures to Market risk arise from the MH Group's on-balance sheet banking book exposures as well as market price risk arising from the MH Group's available-for-sale financial assets and financial assets at fair value thought profit or loss, in which the firm is subject to Market FX risk.

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 recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollars, Swiss Franc. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Market Price Risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The MH Group's available-for-sale financial assets and financial assets at fair value thought profit or loss and susceptible to market price risk arising from uncertainties about future prices of the investments. The MH Group's market price risk is managed through diversification of the investment portfolio.

Risk Mitigation Measures:

The EU regulated entity of the Group employs a Risk Manager who is continuously monitoring the market movements and act accordingly to hedge the excessive exposure and maintain risk within accepted limits. The Group uses the Standardized Method to measure capital requirements for foreign exchange risk. As at 31 December 2021, the Group had positions in EUR, CHF and USD, yet its exposure has been insignificant.



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)** – 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 Group maintains open Trading Book positions in derivatives and other specified transactions, and includes positions with both clients and liquidity providers.
- **K-DTF (Daily Trading Flow)** – 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.
- **K-CON (Concentration Risk)** – 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 Group incurs Trading Book exposures.

The Group is not subject to the above three (3) K-factors because it is not authorized to provide the investment service of dealing on own account and as such it is not exposed to trading book exposures.

3.4 Other Risks

3.4.1 Legal, Compliance and Regulatory Risk

Compliance risk is the risk of financial loss (including fines and other penalties) which could arise as a result of a direct breach or non compliance with the current legislation, agreements with third parties or ethical standards of business.

The MH Group is becoming more exposed to legal and Compliance Risks due to its offering of different services (i.e. fund management and investment services). The risk is significantly mitigated as the MH Group ensures compliance with different legislative obligations, such as MiFID II, AMLD 5, CRD IV, AIFMD, FATCA/CRS, IFR/IFD or other relevant legislative obligations as applicable in the MH Group entity's jurisdiction.

The Compliance Officers and Risk Managers of each MH Group entity make sure that the policies and procedures are sufficient and in compliance with the required legislation provision at all times.

Compliance and Regulatory issues are addressed by a detailed and complex approach at MH Group entity level which applies "proactive" and "forward looking" measures and it hence helps reduce Compliance and Regulatory risk. Regular calls with the CEOs, Asset Management and Compliance teams are set up at MH Group level in order to keep MH Group developments in the loop.

3.4.2 Reputation Risk

The risk of loss of reputation arising from the negative publicity relating to the MH Group's operations (whether true or false) may result in a reduction of its client base, reduction in revenue and possible legal actions against the MH Group.

Reputational risk can derive from financial or operational activities or have an effect or outcome with financial or operational consequences. It is generally connected with hazard that has a social or ethical dimension, rather than



purely a financial or operational one. For example, poor customer service, fraud or theft, customer claims and legal action.

Reputation is the most valuable asset, one that distinguishes the MH Group among the rest. Therefore, the MH Group has applied policies and procedures to minimize this risk. Reputation is protected, sustained and enhanced through the active management of issues and relationships, both at high level and through our day to day routine contacts. No customer complaints have been officially submitted to date.

The MH Group has licensed entities in different locations such as Switzerland, Singapore and Cyprus and with the Management consisting of experienced professionals with decades of practice in Wealth and Asset Management gained with top-tier institutional names, has a positive impact on the MH Group's reputation. Therefore, the MH Group does not face significant reputational risk.

The MH Group entities are covered by Professional Indemnity Insurance under an MH Group-wide Policy.

3.4.3 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 Group 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 Group is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. As at 31 of December 2021 the Group satisfied the Liquidity Requirement.

3.4.4 Operational Risk (other than daily trading flow)

The key risks identified relating to the MH Group's operations and regulatory requirements mainly relate to direct or indirect loss resulting from inadequate or failed processes, people and systems or from external events (i.e. business process risk, personnel risk, IT risk).

The MH Group has adopted a number of procedures to ensure that a systemic risk assessment and root cause analysis took place for the material operational risk events, in order to be able to prioritize and address them effectively. It shall be noted that all necessary action has been taken to ensure that these risk events were systematically evaluated in terms of likelihood and impact. Some of the methods used to this effect included insurance coverage and contingency planning. The MH Group uses the expected loss method to measure capital requirements for operational risk.

In the review period the MH Group has updated its Business Continuity Policy (BCP) at each entity level and performed Disaster recovery testing, whereby the outcome of the Disaster Recovery Test was formally documented and approved by the respective Board. The MH Group test case was a loss of entire public drive S: (as applicable) and server on-site backup (as applicable) due to a ransomware attack which renders all data useless by encrypting it.

From a capital perspective, the MH Group, calculates its operational risk using the Fixed overheads approach, defined as Fixed Overheads Requirement ("FOR") under the IFR framework, and thus maintains adequate capital of at least one quarter of its fixed overheads of the preceding audited year.

4 Own Funds

Capital Adequacy Ratio

The Group's objectives when managing capital are:



- To comply with the capital requirements set by CySEC;
- To safeguard its ability to continue as a going concern;
- To maintain a strong capital base to support the development of its business.

The Group entities' policies on capital management (as applicable) are designated to maintain the capital base sufficient to keep the confidence of customers, creditors and other market participants, and to secure the future development of the Group entity concerned.

The Group monitors Own funds requirements, Capital adequacy and the use of the regulatory capital at least on a monthly basis, in accordance with the IFR & IFD prudential framework. As at 31 of December 2021, the Group's Own Funds comprised entirely 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 at all times meet all of the following conditions:

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

Table 4 below presents the composition of the Group's Own Funds as at 31 December 2021, while Table 5 indicates how these Own Funds reconcile with the Group's audited 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 Group's Own Funds as at 31 December 2021 amounted to €9,515k.

Table 4: Template EU IF CC1.01 - Composition of Regulatory Own Funds

Template EU IF CC1			
Ref	(€'000)	31 Dec 2021 (€'000)	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements
1	OWN FUNDS	9,515	
2	TIER 1 CAPITAL	9,515	
3	COMMON EQUITY TIER 1 CAPITAL	9,515	
4	Fully paid up capital instruments	12	Ref. 1 (Shareholders' Equity)
5	Share premium	1,191	Ref. 2 (Shareholders' Equity)
6	Retained earnings	8,881	Ref. 3 (Shareholders' Equity)
9	Minority interest given recognition in CET1 capital	28	
10	Adjustments to CET1 due to prudential filters	(4)	Ref. 1 (Assets)



24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(537)	Ref. 3 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(56)	Ref. 2 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 5: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Template EU IF CC2			
(€'000)		Under regulatory scope of consolidation	Cross reference to EU IF CC1
		31 December 2021	
Ref	Assets		
1	Financial assets at fair value through profit or loss	3,995	Ref.10
2	Investments in Associates (Investors Compensation Fund Contribution & Additional Cash Buffer)	56	Ref. 27
3	Investments in subsidiaries	537	Ref.24
4	Other assets	12,333	
5	Total Assets	16,921	
	Liabilities		
1	Tax Liability	1,251	
2	Trade and other payables	4,840	
3	Total liabilities	6,091	
	Shareholders' Equity		
1	Share capital	12	Ref. 4
2	Share premium	1,191	Ref. 5
3	Share based compensation	9,320	Ref. 6



4	Retained earnings	307	
5	Total Shareholders' Equity	10,830	

The Group is exempted from accounting consolidation and as such, the column a of this template is not applicable (i.e. removed).

5 Minimum Capital Requirements

5.1 Capital Requirements

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

5.1.1 Fixed Overheads Requirement ("FOR")

The Group's policy is to monitor its FOR at least on a quarterly basis. The Group calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31 December 2021 amounted to €2,296k.

5.1.2 Permanent Minimum Capital Requirement ("PMCR")

The Group monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €600k, which corresponds to the initial capital that applies to the Group in accordance with Article 9 of the IFD.

Table 6 below breaks down the Pillar I minimum capital requirement that the Group was required to hold as of 31st of December 2021. The Group's K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR.

Table 6: Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		31 December 2021 (€'000)
Risk-to-Client (RtC)	k-AUM	617
	k-CMH	-
	k-ASA	-
	k-COH	-
Risk-to-Market (RtM)	k-NPR	552
	k-CMG	-



Risk-to-Firm (RtF)	k-TCD	-
	k-DTF	-
	k-CON	-
Total K-Factor Requirement		1,169
Fixed Overhead Requirement – FOR		2,296
Permanent Minimum Capital Requirement – PMCR		600

The CAD ratio of the Group as at 31 December 2021 amounted to 414% which far exceeded the minimum required threshold of 100% and a capital surplus of €7,219k.

Table 7: Capital Excess/Ratio

(€'000)	31 December 2021	Reference
Common Equity Tier 1	9,515	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	9,515	a
K-factor Requirement	1,169	b
Fixed Overhead Requirement	2,296	c
Permanent Minimum Capital Requirement	600	d
Minimum Own Funds Requirement	2,296	e = (higher of b, c, d)
Capital Excess	7,219	a-e
Capital Ratio	414%	a/e



6 Remuneration Policy and Practices

The MH Group is in the process of updating its existing Remuneration policy, through which it will ensure full alignment with the IFR & IFD framework.

The MH Group defines and implements remuneration policies and practices under appropriate internal procedures taking into account the interest of all the clients of the MH Group, with a view to ensuring that clients are treated fairly, and their interests are not impaired by the remuneration practices adopted by the Company in the short, medium or long term.

The MH Group shall ensure that the remuneration policy and practices apply to all relevant persons with an impact, directly or indirectly, on investment and ancillary services provided by the MH Group or on its corporate behaviour, regardless of the type of clients, to the extent that the remuneration of such persons and similar incentives may create a conflict of interest that encourage them to act against the interest of any of the firm's clients.

The management body of the MH Group shall approve, after taking advice from the Compliance function, the MH Group's remuneration policy. The senior management shall be responsible for day-to day implementation of the remuneration policy and the monitoring of the compliance risks related to the policy.

Remuneration and similar incentives shall not be solely or predominantly based on quantitative commercial criteria and shall take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients.

A balance between fixed and variable components of remuneration shall be maintained at all times, so that the remuneration structure does not favour the interests of the MH Group or its relevant persons against the interest of any client

The MH Group's Remuneration includes financial Remuneration (i.e. salary) and/or non-financial Remuneration (i.e. career progression, health insurance, discounts or special allowances for car or mobile phone, seminars, etc., as may be decided from time to time by senior management).

The Policy aims to (i) provide for sufficient incentives so as for the Relevant Persons (as defined by the MH Group's Policy), to achieve their Key Performance Indicators, (ii) deliver an appropriate link between reward and performance whilst at the same time become a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and /or miss-selling practices considering financial incentives schemes, which could lead to compliance risks for the MH Group in the long-run.

The Relevant Persons' total Remuneration can consist of a fixed as well as a variable component.

- Fixed component: The fixed component reflects the educational level, experience, accountability and the role of the individual employee, including responsibility and job complexity, performance and local market conditions. The main fixed remuneration element is the employee's salary. Potential fixed remuneration increases are accommodated during an annual salary review and market benchmarking process. Group performance market outlooks, takes its data and employee performance into account in fixed remuneration increase proposals.
- Variable component: It is upon the MH Group's discretion to award variable remuneration, primarily based on an assessment of the MH Group's performance. The variable components of the MH Group's remuneration are given in the form of a profit-sharing bonus. It is noted that a bonus is given not only based on each MH entity's and the employee's performance but also based on the performance of the MH Group as a whole. For the specific case of Relationship Managers, their total compensation is directly linked to revenue generated from asset management fees earned from introduced clients. This compensation is calculated and paid in the form of a quarterly bonus less any direct costs (e.g. fixed salary, travel costs etc.) suffered by the corresponding Company entity.

The MH Group has set appropriate ratios between the fixed and the variable component of the total remuneration, whereby the variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.

It should be noted that in accordance with EBA's latest consultation papers, the MH Group's remuneration policies ensure an alignment of fixed and variable remuneration between genders i.e. are gender neutral. In particular, the following aspects shall be taken into consideration:



- the place of employment and its costs of living;
- the hierarchical level of the staff and if staff has managerial responsibilities;
- the level of formal education of staff;
- the scarcity of staff available in the labour market for specialised positions;
- the nature of the employment contract, including if it is temporary or a contract with an indefinite period;
- the length of professional experience of staff;
- professional certifications of staff; and
- appropriate benefits, including the payment of additional household and child allowances to staff with spouses and dependent children.

During 2021 the MH Group entities paid both fixed and variable remuneration. The variable component was in the form of bonus payable in cash only.

The tables below present the 2021 annual remuneration of Senior Management and other staff whose actions have a material impact on the risk profile of the MH Group.

Description	No. of beneficiaries	Fixed Remuneration	Variable Remuneration
		€'000	€'000
Senior Management (including Executive & non-Executive Directors)	16	2'380	1'012
Other staff	5	4'267	518
Total	21	6'647	1'530

6.1 Performance Appraisal

The Group shall ensure that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the assessment of the performance of:

- The individual (quantitative as well as qualitative criteria are taken into account, including annual performance evaluation and performance ratings);
- The business unit concerned; and
- The overall results of the Group.

Examples of qualitative criteria include compliance with regulatory requirements (especially conduct of business rules) and internal procedures, fair treatment of clients and client satisfaction.

The Group implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of group-wide Key Performance Indicators ("KPIs") and Targets.

In general, performance appraisal is performed in a multi-year framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take into account the Group entities' s underlying business cycle and risks.

Additionally, performance appraisal on the medium and short-term is performed as follows:



- Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Group entity's functions, departments and individuals are expected to achieve during the year and semi-annually;
- Performance checks and feedbacks: Managers provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies;
- The performance review takes place annually and, among others, determines the level of the annual bonus to be awarded to the Group entity's staff members (if the decision of Senior Management is to proceed with annual bonus awards).



7 Appendix I – Main Features of Own Funds

Template EU IF CCA	Common Equity Tier 1 instruments
1 Issuer	Marcuard Heritage Holding Ltd
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3 Public or private placement	Private
4 Governing law(s) of the instrument	Cyprus Law
5 Instrument type	Class A & B Shares
6 Amount recognised in regulatory capital (in EUR)	€12,111
7 Nominal amount of instrument	EUR 12,111
8 Issue price (in EUR)	EUR 1,00
9 Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	30/12/2011
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	N/A
15 Optional call date, contingent call dates and redemption amount	N/A
16 Subsequent call dates	N/A
<i>Coupons / dividends</i>	
17 Fixed or floating dividend/ coupon	Floating
18 Coupon date and any related index	N/A
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21 Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22 Existence of step up or other incentive to redeem	No
23 Non-cumulative or cumulative	Non-cumulative
24 Convertible or non-convertible	Non-convertible
25 If convertible, conversion trigger(s)	N/A
26 If convertible, fully or partially	N/A
27 If convertible, conversion rate	N/A
28 If convertible, mandatory or optional conversion	N/A
29 If convertible, specify instrument type convertible info	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