



Marcuard Heritage (Europe) Ltd

Disclosure and market discipline report

**Pillar III Disclosures and Market Discipline for the
year ended 31 December 2023**

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

May 2024



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1. Introduction

1.1 About Marcuard Heritage (Europe) Ltd

Marcuard Heritage (Europe) Limited (“the Company” or “Marcuard”) was incorporated in Cyprus on 8 July 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Zavos Kristelina Tower, Office 202, 12 Archiepiskopou Makariou III Avenue, 4000 Mesa Geitonia, Limassol, Cyprus and has a LEI Code of 21380092PBQSQNXZMH30. It operates as Cypriot Investment Firm (“CIF”) under license number 131/11, with a Cyprus Company registration number HE 270187. The Company’s operating license from the Cyprus Securities and Exchange Commission (“CySEC”) permits the Company to undertake regulated investment services including the Portfolio management and the provision of Investment advise. The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments including custodianship and related services as well as foreign exchange services where these are connected to the provision of investment services. The disclosure currency of the Company is the Euro (€).

It is noted that the Company does not hold any real crypto assets nor it is engaged in the sectors of Contracts for Difference (“CFDs”) with crypto as their underlying instrument.

1.2 Pillar III Regulatory Framework

Since 26 June 2021, the Company, as the majority of EU investment firms, has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”), as the latter has been harmonized into local legislation through the issuance of the Law for the Prudential Supervision of Investment Firms (165(I)/2021) (the “Law”).

The IFR and IFD rules focus on specific 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 and Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

In addition to the minimum capital requirements, the Company is required to maintain liquid assets equal to at least one third of its Fixed Overhead Requirement (“FOR”).

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 - ensure 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 31st of December 2023.

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 Company's Pillar III disclosures are subject to internal review and validation. This Report should be read in conjunction with the audited financial statements of the Company. The disclosures are made on a solo basis. Further, the Company has commissioned its External Auditors to verify its Pillar III Disclosures. The Company also prepares its Financial Statements on an individual (solo) basis, in accordance with the International Financial Reporting Standards (“IFRS”).

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

The Company is categorised as a Class 2 Cyprus Investment Firm (“CIF”), based on the rules set by the IFR & IFD. We note also that the Company for the 2023 year end, is considered significant CIF according to CySEC Circular No C487, 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.

1.3 Operating environment of the Company

The geopolitical situation in the Eastern Mediterranean entered an environment of uncertainty on 7 October 2023 with the terrorist attack against Israel. This follows Russia's invasion of Ukraine on 24 February 2022.

The current situation in Israel is still fluid but, at first glance, there is no fear in the markets of the repeat of the strong negative effects on the global economy.

The continuation of Russia's invasion in Ukraine and the corresponding continuation of the sanctions imposed against Russia, Belarus, and organizations/individuals friendly to the Russian government as a pressure point to prevent the situation in question has had a negative impact on global markets and especially in sectors such as agriculture (grain), livestock, energy (embargo on Russian oil) and tourism. However, the current situation seems to have stabilized. There is still concern about inflationary pressures and the rise in interbank rates as a lever to lower inflation.

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 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 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 risk strategy of the Company aims to ensure substantial growth of the Company in combination with a moderate risk profile through the establishment of an effective Risk Management framework. The Company's overall governance, system and control framework is deployed on the basis of the three (3) levels of defense model including functions that own and manage risks, oversee risks and provide independent assurance.

The Risk Management function is responsible for the determination, evaluation and efficient management of the risks inherent in the provision of the investment services. The function's aim is to provide these services in accordance with the provisions of the Law and Directives issued by CySEC, as well as the internal regulations of the Company.

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 an adequate 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;

- provide analysis of the potential hazards associated with the recommended framework on which investment decisions are based to the Investment Committee.

2.1.3 Internal Audit

The Internal Audit function is an independent activity from all other functions within the Company reporting directly to the Board of Directors (“Board” or “BoD”).

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 Company policies;
- transactions are executed in accordance with management’s authorisation and are accurately and completely recorded in the Company’s systems.

The Company’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 is responsible to maintain a healthy system of internal control in order to safeguard the shareholders’ investments and the Company’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 Company’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; and
- establishment of efficient communication channels between the Internal Audit function and the Board of Directors, Company’s management and the external auditors for the exchange of information and views regarding internal control issues.

2.1.4 Compliance Function

The Company is required to establish and maintain a permanent and effective Compliance Function which operates 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 Company'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 Company's obligations under the Law.

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

- Monitors the Company transaction books and records;
- Monitors the Company's counterparties agreements;
- monitors promotional material and advertisements;
- reviews the Company's website frequently to ensure compliance with the regulatory framework;
- monitors alignment with the legal and regulatory framework;
- monitors support units and general operations relating to compliance;
- stays informed and up-to-date with changes in the legislation and the issuance of new directives;
- trains and educates employees on regulatory requirements on an ongoing basis;
- ensures that the management does not exercise inappropriate influence over the way in which relevant persons carry out their responsibilities;
- ensures that procedures pertaining the Company's conflict of interest policy are followed;
- assists in the identification and resolution of conflicts of interest;
- monitors the existence of Chinese walls between the various departments;
- monitors personal transactions of the relevant persons;
- monitors procedures regarding obligations for reporting to clients;
- investigates and handles client complaints;
- oversees the development and periodic review of the Company's product governance arrangements;
- prepares and submits to the BoD frequently and at least annually written reports on the reviews carried out on the Company's businesses;
- ensures compliance with the provisions of the Commission's Circular C401 regarding the CIF Record Content.

2.1.5 Anti-Money Laundering Compliance Function

The Anti-Money Laundering (“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 Company has appointed an Alternate AML Officer, 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:

- ensures compliance with laws, directives and circulars at times issued by CySEC and takes actions in cases where non-compliance is identified;
- monitors and assesses the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Company’s compliance with its regulatory obligations;
- advises and assists the relevant persons responsible for carrying out investment services and activities, how to comply with the Company's obligations under the Law and Directives;
- deals with conflict of interest situations in order to ensure that they are handled in accordance with the regulation;
- designs based on the general policy principles developed by the BoD, the internal practice, measures, procedures and controls relevant to the prevention of Money Laundering (“ML”) and Terrorist Financing (“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 Company can assume in both normal and distressed situations before breaching regulatory constraints and its obligations to stakeholders.

The 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 Company. 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 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 BoD periodically revises the Company'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 Company has minimum risk appetite and is not willing to take any unnecessary risks. The Company 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 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 personnel to operate those processes and systems.

2.1.7 Internal Capital Adequacy and Risk Assessment Process (“ICARA” Process)

The ICARA process falls under the scope of Pillar II and it is a requirement for investment firms as per article 24 of IFD, with the objective to enhance the link between a CIF's risk profile, risk management and risk mitigation systems, as well as a CIF's capital and liquidity.

Pillar II establishes a process of prudential interaction that complements and strengthens Pillar I, by promoting an active dialogue between the CySEC and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfilment of which may entail threats for the Company, are identified and managed effectively with the enforcement of additional controls and mitigating measures. The ICARA is an important part of the process through which the

Company's management is informed of the ongoing assessment of the Company's risks, sets mitigation measures and controls for those risks and identifies and measures current and future capital and liquidity needs, having considered the above.

The Board of the Company and the Risk Manager ensure the appropriate design, adoption and implementation of the Company's ICARA, by performing their ICARA-related duties and responsibilities as these are detailed in the relevant manual of the Company.

The Company is in the process to put in place its ICARA Process which will be applied on a consolidated level and will ensure full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs. The information and data used for the analysis and identification of risks in the ICARA report will cover the period ending on 30th of September 2022. Even though the report has not been formally finalized, preliminary results of the process and stress test scenarios considered show that the MH Group has sufficient capital and liquidity to cover its own funds requirement and liquid assets requirement.

The ICARA is embedded in the core of the Company's operations and serves as a valuable Risk Management tool which ensures that the Company's Risk Management framework receives the necessary attention from all the related functions/personnel of the Company, while contributing towards a robust organization by promoting a risk-averse culture within the Company.

The Company will proceed to draft its ICARA for the financial year ending 31 December 2023, during the second quarter of 2024.

2.2 Risk Governance – Board and Committees

2.2.1 Board of Directors

The Board of Directors of the Company, as at the reference date, consisted of two Executive and 3 Non-Executive members, of which the two were also Independent.

The Board of Directors' responsibilities

The Board is responsible for ensuring that the Company complies with its obligations under the 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 Law, and to take appropriate measures to address any deficiencies.

The Board ensures that it receives on a frequent basis and at least annually written reports indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies regarding:

- Internal Audit;
- Anti-Money Laundering;
- Compliance;
- Risk Management; and
- The ICARA.

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

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

The Board also appoints one of its members as AML Director, 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. 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 Company.

The Board ensures that the Company 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 to these duties, the Board reviews the reports received by independent advisors regarding these matters.

The Board will monitor the performance of the Investment Committee and will ensure that the Company complies with its legal obligations to CySEC.

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

Executive Directors take part in the operation of the Company and, as appropriate, in the provision of investment services. The non-Executive and independent director monitors the operations of the Company through his participation in the various meetings of the Board, and will also request, when necessary, information and reports from the management of the Company.

2.2.2 Board Committees

Taking into account that the Company falls under the definition of significant CIF for the purposes of the Investment Services Law, it was decided to establish a Risk Management Committee, a Nomination Committee and a Remuneration Committee with the involvement of the Non-executive Directors of the Company.

The members of the Risk Management, Nomination and Remuneration Committees are appointed by the Board, report directly to the Board and include two (2) Non-executive Directors of the Company.

Risk Management Committee

The purpose of the Risk Management Committee is to manage and monitor the risk strategy and the risk appetite of the Company and give advise and assistance to the Board of Directors on the Company's overall current and future risk appetite and strategy and the implementation of that by senior management. The Risk Management Committee will support the supervisory function in Risk Management area and facilitate the development and implementation of sound internal governance framework.

The members of the Risk Management Committee should have, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices. Delegating to Risk Management Committee however, does not in any way release the management body in its supervisory function collectively fulfilling its duties and responsibilities.

The responsibilities of the Risk Management Committee are as follows:

- advise and support the management body in its supervisory function regarding the monitoring of the Company's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Company;
- assist the management body in its supervisory function in overseeing the implementation of the Company's risk strategy and the corresponding limits set;
- oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of the Company, such as market, credit, operational (including legal and IT risks) and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy;
- provide the management body in its supervisory function with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Company, market developments or recommendations made by the risk management function;
- provide advice on the appointment of external consultants that the supervisory function may decide to engage for advice or support;
- review a number of possible scenarios, including stressed scenarios, to assess how the Company's risk profile would react to external and internal events;

- assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken.

The Risk Management Committee meets at least annually or on ad-hoc basis. During 2023, the Risk Management Committee met one time.

Nomination Committee

The Nomination Committee is responsible for the corporate governance of the Company and shall identify, assess, select and nominate suitable director candidates to the Board for it to consider for appointment.

The members of the Nomination Committee should have, individually and collectively, appropriate knowledge, skills and expertise concerning the selection process and suitability requirements.

The responsibilities of the Nomination Committee are as follows:

- identify and recommend, for the approval of the Board of Directors or for approval of the general meeting, candidates to fill vacancies in the Board of Directors, evaluate the balance of knowledge, skills, diversity and experience of the Board of Directors and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;
- decide on a target for the representation of the underrepresented gender in the Board of Directors and prepare a policy on how to increase the number of the underrepresented gender in the Board of Directors in order to meet that target.
- assess periodically, and at least annually, the structure, size, composition and performance of the Board of Directors and make recommendations to the Board of Directors with regard to any changes;
- assess periodically, and at least annually the knowledge, skills and experience of members of the Board of Directors individually, and of the Board of Directors collectively, and report to the Board of Directors accordingly;
- periodically review the policy of the Board of Directors for selection and appointment of senior management and make recommendations to the Board of Directors;
- in performing its duties, take into consideration, to the extent possible and on an ongoing basis, the need to ensure that the Board of Directors' 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.

Remuneration Committee

The purpose of the Remuneration Committee is to have effective, fair and transparent remuneration policies and practices that are primary aligned with the Law and attract and motivate the executive members to the extent that they will achieve the long-term interests of the shareholders. The Committee ensures that remuneration policies and practices are consistent with sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile of the Company as well as to ensure that conflicts of interest are mitigated and that undue influence upon employees is prevented.

The Remuneration Committee will meet at least annually and the agenda will contain at least the following:

- review of Remuneration Policy of the Company;
- review of the Company's personnel salaries against industry benchmarks or equivalents, and approval of annual variations thereof;
- review and approval of the annual incentive allocations (including retentions) to the Company's personnel;
- review of the Company's fee structures in respect of tied-agents and introducing brokers (where applicable).

Investment Committee

The purpose of the Investment Committee is to contribute towards the formation of the Company's investment policy by examining investment opportunities and analysing their potential. The Investment Committee receives information for the market from various external sources and prepares recommendations on the investment policy to be approved by the Board of Directors.

The Investment Committee's main duties and responsibilities include:

- provision of a framework on which investment decisions for portfolio management will be based;
- set the criteria for clients' profile;
- set the company's pricing policy;
- set the Investment Strategy guidelines;
- provision guidance and suggestions regarding the type, the content and the frequency of the briefing of the Company's clients in respect to their investment activity and balance on their investment accounts;
- predetermination of the markets and the financial instruments in which the Company shall operate in;
- provision of a list of investment choices which should be avoided or preferred over others;
- provision of a list of restricted financial instruments and investment strategies.
- development and revision of the stop-loss limits, where necessary/appropriate;

- approval of the sell and/or replacement decision making for the activation of a stop-loss limit, where necessary/appropriate;
- approval of the Risk Strategy and significant policies relating to the risk and its management;
- development and monitoring of the overall Risk Investment policy on a regular basis;
- monitoring of the Company’s Investment Policy and any investment risk that may arise;
- dealing with any other matters relating to the company’s investment policy.

2.2.3 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 Company holds at the same time in other entities, including the one in the Company. 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 1: Directorships of Board Members¹

Name of Director	Position with Marcuard Heritage (Europe) Ltd	Total number of Directorships
Alexis Xenophontos	Executive Director	2
Charis Papanikolaou	Executive Director	1
Andreas Hadjimichael ²	Non-Executive Director	13
Anastasios Nikolaou ²	Non-Executive Director	17
Hakan Sandro Sesle	Non-Executive Director	1

Notes:

1. *The information in this table is based only on representations made by the Company’s directors at the time of preparation of the report .*
2. *The number of directorships held by this director exceed the minimum required by Circular C487 and considering that the Company qualifies to be considered a Significant CIF as per the said Circular, the Company is in the process of notifying CySEC to obtain its consent.*

2.2.4 Diversity Policy

The objectives of this 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 Board, all appointments are made on merit against objective criteria, within the context of the skills, background and experience. Marcuard ensures that it adequately sets out and describes 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 the Company and in consideration as to who has the ultimate authority to make decisions regarding recruitment for 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;
- 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 the relevant industry.

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 the company's business strategy or business plan and accomplishment thereof;
- risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of the Company);
- accounting and auditing;
- the assessment of the effectiveness of the company's arrangements, ensuring effective governance, oversight and controls; and
- the interpretation of the Company'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;
- 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 Company 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 first point 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 the Company considers to be necessary to take into account when carrying out the assessment of sufficient time commitment of a member.

The Company 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 Company of a change and when such changes come otherwise to the attention of the Company.

2.2.5 Investment Policy

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

- the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
- a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of 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
- an explanation of the use of proxy advisor firms;
- the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 IFR Article 52.

According to paragraph 2 of IFR Article 52, 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 of the report, 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.

3. Principal Risks

The Company aims to follow a continuous, active, and systematic Risk Management process of well-defined steps in order to understand, manage and communicate risks from a firm-wide perspective. This is achieved through the effective identification, assessment, treatment and reporting of internal and external risks.

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 Company provides portfolio management and investment advice services, during the year ending 31 December 2023 the Company 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 Company 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 Company, 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 Company 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 Company was not subject to the risk relating to K-ASA since it did not provide safeguarding services in relation to the clients' 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. As the Company 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 2023, 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 Company's income or the value of its holding of financial instruments. As the Company provides only the investment services of portfolio management and investment advice, it is not exposed to Market Risk regarding any trading activities. However, the Company 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 Company's size of relevant operations during 2023, this K-factor was not applicable to the Company.

3.2.1 K-NPR

The Company's exposures to Market risk arise from the Company's on-balance sheet banking book exposures as well as market price risk arising from the Company's available-for-sale financial assets and financial assets at fair value through profit or loss, in which the Company 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 Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollars, Swiss Franc . The Company'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 Company's available-for-sale financial assets and financial assets at fair value through profit or loss and susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio. The Company's exposure to Market Risk is limited since it does not hold securities in its own account. The Company does not trade on its own account nor undertakes proprietary trading.

Risk Mitigation Measures:

Market Risk is carefully managed through detailed policies and procedures. Management will undertake an annual review of limits, based on discussions and recommendations received by the Risk Management function. For any proposed changes in limits, the existing limits should be submitted together with the new limit proposals to the Investment Committee. Reasons for any changes or amendments should be explained.

The Risk Management function monitors all trading positions on a daily basis to ensure that all quantitative limits are adhered to. Depending on market conditions limits may be revised and increased limit restrictions upon changes in market conditions may be applied.

As at 31 December 2023, the Company had positions in EUR, USD and CHF, 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 company 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 company incurs Trading Book exposures.

The Company is not subject to the above three K-factors because based on its license, it is not authorized to provide 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 Company 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 company ensures compliance with different legislative obligations, such as MiFID II, AMLD 5, AIFMD, FATCA/CRS, MiFIR, GDPR, Sanction and Restrictive measures, IFR/IFD or other relevant legislations.

The Compliance Officer and Risk Manager 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. The Company applies "proactive" and "forward looking" measures, which help reduce Compliance and Regulatory risk. Regular calls with the CEOs, Asset Management and Compliance teams are set up in order to keep Company developments in the loop.

3.4.2 Reputational Risk

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

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 Company among the rest. Therefore, the Company 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 Company 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 Company's reputation. Therefore, the Company does not face significant reputational risk.

The Company is covered by Professional Indemnity Insurance.

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 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 2023 the Company satisfied the Liquidity Requirement.

3.4.4 Operational Risk (other than daily trading flow)

The key risks identified relating to the Company'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 Company 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 the necessary actions have 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 Company uses the expected loss method to measure capital requirements for operational risk.

During the period under review, the Company has updated its Business Continuity Policy ("BCP") and performed Disaster recovery testing, whereby the outcome of the Disaster Recovery Test was formally documented and based on the real case scenario. The Company test case was an internet outage caused by the intercom installation in the building. The test was performed in accordance with the BCP Procedures and did not reveal any impact on the Company's business operations. The formal report was circulated among the employees of the Company and a Senior Management.

On a capital perspective, the Company, 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.

3.4.5 Environmental, Social and Governance Risks

From 26 December 2022 onwards, investment firms which satisfy the definition for a "Significant CIF" based on the latest CySEC Circular C487, shall disclose information on Environmental, Social and Governance ("ESG") risks, as described in Article 53 of the IFR.

The Company has started obtaining data on the funds it invests, in order to categorise them according to ESG criteria. The Company aims to define an approach on managing ESG risks that will be beneficial, considering its size and the nature of its activities.

4. Own Funds

Capital Adequacy Ratio

The Company'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 Company's policy on capital management is 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 Company.

The Company 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 2023, the Company's Own Funds comprised of Common Equity Tier 1 capital and Additional Tier 1 Capital.

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

- a) Common Equity Tier 1 Capital of at least 56% of minimum capital requirements;
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of minimum capital requirements;
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of minimum capital requirements.

Table 2 below presents the composition of the Company's Own Funds as at 31 December 2023, while Table 3 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

As shown below, the Company's Own Funds as at 31 December 2023 amounted to €884k.

Table 2: Template EU IF CC1.01 – Composition of Regulatory Own Funds

Template EU IF CC1			
Ref	Own Funds components	31 Dec 2023 (€'000)	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements
1	OWN FUNDS	884	
2	TIER 1 CAPITAL	884	
3	COMMON EQUITY TIER 1 CAPITAL	884	
4	Fully paid up capital instruments	550	Ref. 1 (Shareholders' Equity)
5	Share premium	-	
6	Retained earnings (Net of foreseeable dividends) *	376	Ref. 2 & 3 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(42)	Ref. 1 & 2 (Assets)

* The amount of retained earnings considered in the Company's Own Funds calculation for 31 December 2023, includes the deduction of foreseeable dividends of €200K (as required by the relevant provisions of the IFR), which were declared by the Company's Board on 3 January 2024.

Table 3: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Template EU IF CC2			
(€'000)		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		31 December 2023 (€'000)	
Ref	Assets		
	Total Assets	1,483	
	<i>of which:</i>		
1	Contribution to Investor's Compensation Fund	41	Ref.27
2	Additional Cash Buffer	1	Ref.27
	Liabilities		
	Total liabilities	357	
	Shareholders' Equity		
	Total Shareholders' Equity	1,126	
	<i>of which:</i>		
1	Share capital	550	Ref. 4
2	Preference share capital	1	Ref. 6
3	Reserves	576	Ref. 6

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

5. Minimum Capital Requirements

5.1 Capital Requirements

Under the IFR & IFD framework, Class 2 investment firms are required to derive their Minimum Capital Requirements by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to them.

5.1.1 Fixed Overheads Requirement (“FOR”)

The Company’s policy is to monitor its FOR at least on a quarterly basis. The Company 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 2023 amounted to €228k.

5.1.2 Permanent Minimum Capital Requirement (“MPCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €150k, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

Table 4 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2023. The Company’s K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR.

Table 4: Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		31 December 2023 (€'000)
Risk-to-Client (RtC)	k-AUM	29
	k-CMH	-
	k-ASA	-
	k-COH	-
Risk-to-Market (RtM)	k-NPR	41
	k-CMG	-
Risk-to-Firm (RtF)	k-TCD	-
	k-DTF	-
	k-CON	-
Total K-Factor Requirement		70
Fixed Overhead Requirement – FOR		228
Permanent Minimum Capital Requirement – PMCR		150

The CAD ratio of the Company as at 31 December 2023 amounted to 387,14% which exceeded the minimum required threshold of 100% and a capital surplus of €656k.

Table 5: Capital Excess/Ratio

(€'000)	31 December 2023	Reference
Common Equity Tier 1	884	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	884	a
K-factor Requirement	70	b
Fixed Overhead Requirement	228	c
Permanent Minimum Capital Requirement	150	d
Minimum Own Funds Requirement	228	e = (higher of b, c, d)
Capital Excess	656	a-e
Capital Ratio	387,14	a/e

6. Remuneration Policy and Practices

The purpose of the remuneration guidelines is to ensure a consistent implementation of the conflicts of interest and conduct of business requirements in respect of remuneration, and the compliance by the Company of the laws and regulations that apply to its business.

The Company defines and implements remuneration policies and practices under appropriate internal procedures taking into account the interest of all the clients of the Company, 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 Company 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 Company 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 Company's clients.

The Remuneration committee shall review the Company's remuneration policy, approve the remuneration package of any new appointments of the Company and the variation in the remuneration package of any of the Company's personnel or office bearers, if such a variation is proposed outside the scope of the annual salary review.

In the annual review (or ad hoc where the need arises), the remuneration policy and practices should be evaluated in respect of their effectiveness to deliver the intended outcomes and appropriate steps should be taken to address any risks by reviewing and/or amending these specific features, and setting up of

appropriate controls and reporting mechanisms by taking appropriate actions to mitigate potential conduct of business and conflict of interest risks.

Remuneration policy and practices should carry the full support of the senior management of the Company.

Remuneration policy and practices should ensure that the ratio between the fixed and variable components of the remuneration is appropriate in order to take into account the best interests of the Company's clients. High variable remuneration, based on quantitative criteria, should be viewed as increasing the Relevant Person's focus on short-term gains rather than the client's best interest.

In addition, remuneration policy and practices should allow the operation of a flexible policy on variable remuneration including, where appropriate, the possibility to not paying variable remuneration at all.

The Company'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 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. Company performance market outlooks, takes its data and employee performance into account in fixed remuneration increase proposals.
- **Variable component:** It is upon the Company's discretion to award variable remuneration, primarily based on an assessment of the Company's performance. The variable components of the Company'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 Company 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 Company 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 Company'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 2023 the Company paid both fixed and variable remuneration. The variable component was in the form of bonus payable in cash only. There were no severance payments, deferred remuneration or guaranteed variable remuneration awarded and paid out during the financial year.

The table below represents the 2023 annual remuneration of Senior Management and other staff whose actions have a material impact on the risk profile of the Company:

Table 6: Quantitative information on remuneration

Description	No. of beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000
Senior Management ¹	2	376	52
Other staff ²	4	222	50
Total	6	598	102

Notes:

1. Senior Management does not include Non-Executive directors.
2. Other Staff include the Risk Manager, AML and Compliance officer and other Heads of functions whose actions have a material impact on the risk profile of the Company.
3. Remuneration figures include the employer contribution.

Appendix I – Main Features of Own Funds

Template EU IF CCA	Common Equity Tier 1 instruments
1 Issuer	Marcuard Heritage (Europe) 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	Ordinary Shares
6 Amount recognised in regulatory capital (in EUR, as of most recent reporting date)	€550,000
7 Nominal amount of instrument	€550,000
8 Issue price (in EUR)	€1 each
9 Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	02/06/2011
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>	N/A
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