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Deloitte Investment Services Limited

Regulated By the Cyprus Securities and Exchange Commission, License No. 068/06
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Risk Management Disclosures

For the period

1 January 2016 to 31 May 2017

Moore Stephens Stylianou & Co
MOORE STEPHENS STYLIANOU & CO
Certified Public Accountants and Registered Auditors

Introduction & Scope of the Risk Management Disclosure Report

Deloitte Investment Services Limited (hereinafter referred to as the "Company"), a private entity incorporated by the Registrar of Companies with Company Registration Number HE 163314, is a Regulated Investment Company under License Number 068/06. The License was issued on 22/06/2006 by the Cyprus Securities and Exchange Commission (hereinafter referred to as the "**CySEC**"). The Company is authorized by CySEC to operate as a Cypriot Investment Firm (hereinafter referred to as the "**CIF**") to provide the investment services of Investment Advice.

This Risk Management Disclosures Report (hereinafter referred to as the "**Report**") for the period of 01.01.2016 - 31.05.2017 (hereinafter referred to as the "**Period under Review**") has been prepared in accordance with the requirements of Part Eight of the Capital Requirements Regulation (EU) No 575/2013 (hereinafter referred to as the "**CRR**") of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms and paragraph 32(1) of Directive DI144-2014-14 of CySEC for the Prudential Supervision of Investment Firms in relation to risks and risk management.

The Report is based on the audited financial statements of the Company for the period of 01.01.2016 – 31.05.2017 and discloses information in relation to its capital requirements on an annual basis in compliance with applicable legislation, regulatory and accounting risk disclosure standards. According to paragraph 32(1) of Part II of the Directive DI 2014-144-14 for the Prudential Supervision, the Directive DI 144-2014-15 on capital requirements of Investment Firms, and CySEC Circular C114 on Pillar III Disclosures, as in force and/or as these may be amended from time to time, the Company has an obligation to disclose information relating to risks and risk management on an annual basis at a minimum as per Part Eight of regulation (EU) No 575/2013 "Disclosure By Institutions". The Report sets out both quantitative and qualitative information required in accordance with Part 8 "Disclosures by Institutions" of the CRR, Articles 431 to 455 of the CRR Pillar III framework requirements as applicable. The disclosures are published on the Company's website at https://www2.deloitte.com/cy/en/pages/financial-services/solutions/wealth-advisory.html. ***It should be noted that even-though the Company is exempted from capital adequacy reporting requirements under CRD IV and from the ICAAP and Pillar III disclosures reporting requirements as at 31 May 2017 and nevertheless in accordance with article 4 (1) (2) of Regulation no. 575/2013, the Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.***

Governance Arrangements and the Board of Directors

The Board of Directors (hereinafter referred to as the "**Board**") has the overall responsibility for the Company and approves and oversees the implementation of the Company's strategic objectives, risk prevention strategy and internal governance. The Board ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards, and oversees the process of disclosure and announcements. The Board is responsible for providing effective supervision of senior management, and monitors and periodically assesses the effectiveness of the Company's governance arrangements and takes appropriate steps to address any deficiencies. The Board sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust.

Composition of Board of Directors

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The Board during the Period under Review is comprised of 2 executive directors, 3 non-executive directors and 2 independent/non-executive directors. The table below shows the number of directorships held by the members of the Board of Directors, pursuant to section 12(5) of the Investment Services and Activities and Regulated Markets Laws of 2007 as in force and/or as this may be amended from time to time.

Director's Name	Title/Position	Country of Residence	Executive Directorships	Non-Executive Directorships
Christis M. Christoforou	Executive Director/ "4 eyes"	Cyprus	4	
Panikos G. Teklos	Executive Director/ "4 eyes"	Cyprus	1 (dormant)	
Eleftherios N. Philippou	Non-Executive Director	Cyprus	2	
Nicos Kyriakides	Non-Executive Director	Cyprus	11	
Maria Paschalis	Non-Executive Director	Cyprus	2	
Notis Papageorgiou	Independent/Non-Executive	Cyprus		
Polis Michael	Independent/Non-Executive	Cyprus		

It should be noted that the Company has not formed any governance committees since the current nature, scale and complexity of its operations does not require such level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks.

Board of Directors' Risk Management Declaration

The Board of Directors, in accordance with applicable legislation and in its duty to oversee the Company's operations, is responsible for reviewing the effectiveness of the Company's risk management arrangements and controls, which are designed to manage applicable risks. The Board of directors considers that it has in place adequate systems and controls with regards to the Company's risk profile and strategy and appropriate mechanisms in order to avoid or minimise loss.

Board of Directors' Recruitment

One of the Board's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Board members shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. Specifically, the members need to have integrity and honesty, the necessary qualifications, education, skills and experience in order to perform their duties as per CySEC requirements.

Remuneration Policy & Practices

The Company has in place a remuneration policy which complies with CySEC requirements and applicable Regulations. Due to the nature, size, scale and complexity of its operations, the Company has not set up a Remuneration Committee and instead the responsibilities of the Remuneration Committee are performed by the Board of Directors. The remuneration of the directors will be determined during the Company's Annual General Meeting.

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The Company's remuneration policy promotes sound and effective risk management and does not encourage risk-taking; the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interest. The Policy addresses both the fixed and variable component of remuneration, the governance around remuneration, the characteristics of performance measurement, determination of pay. The remuneration of the staff with material impact on the Company's risk profile is reviewed on an annual basis and approved by the Board. The remuneration of the staff whose professional activities have a material impact on the Company's risk profile is constituted totally of fixed salaries and is not performance related.

The Company's Remuneration Policy & Practices implements practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e., Senior Management and members of the Board of Directors. The said practices are established to ensure that the rewards of the Executive Management are linked to the Company's performance to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. As such the Company uses remuneration as a significant method of attracting and retaining key employees whose talent and efforts can contribute to the Company's short and long term goals and success.

As part of the Company's HR Departmental Policy, its focus on performance management and its commitment to the retention and ongoing development of its member-staff, the Company operates a Performance Appraisal Program for all its employees. The main purpose of the annual Performance Appraisal Program is to ensure that, at least once a year, employees and their managers meet to discuss individual and team performance/development/other issues, as well as, to elaborate on and discuss further various pertinent subjects in a formal manner. Following the completion of the annual Performance Appraisal, the managers of the individual departments make recommendations to the Company's Managing Directors, who are responsible for the approval of salary levels and bonuses. Changes in salaries and bonuses lie at the absolute discretion of the Company's Managing Directors, who have to approve and authorize them before they can be processed.

With respect to the link between reward/remuneration and performance, it goes without saying that the two variables are positively correlated, depending on the nature of work conducted by each department independently and each employee, as well as departmental and individual qualitative and quantitative key performance indicators (KPIs), measures and targets which are pre-defined and agreed as these are set at the beginning of each year. Performance appraisals and evaluations take place at the end of the year or beginning of next year or as deemed necessary based on the aforementioned qualitative and quantitative indicators relevant to the nature and expectations of the employees in accordance to the work performed and required. Such performance appraisals and evaluations guides future salary and promotional adjustments which are decided by Executive Senior Management.

During the Period under Review, the Company paid both fixed and variable remuneration. The variable component was in the form of bonus payable in cash only. The remuneration for the Period under Review is presented in the table below:

Period under Review (01.01.2016 - 31.05.2017) / (Euro '000)				
	Fixed Remuneration	Variable Remuneration	Total Remuneration	Number of Beneficiaries
Senior Management and Key personnel	122.885	12.000	134.885	3
Non-executive Directors	3.500	-	3.500	2

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The above table shows the emoluments/number of people whose professional activities have a material impact on the risk profile of the Company as defined by CySEC and Part Eight of EU Regulation (EU) No 575/2013 "Disclosure By Institutions".

It is noted that the three (3) Non-Executive Directors and the two (2) Independent Non-Executive Directors are not remunerated by the Company.

Due to the size of the Company, the remuneration was not broken down by business area. During the Period under Review, there was no outstanding deferred remuneration and no share options were offered, nor new sign-on and severance payments made, no amounts of severance payments awarded to the members of the Board of Directors of the Company. There were no individuals being remunerated €1mio or more during 2016.

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 Board monitors the performance of the Investment Committee and ensures that the Company complies with its legal obligations to CySEC. The Committee's duties include, but are not limited to, the provision of a framework on which investment decisions for portfolio management will be based; the approval of the Risk Strategy and significant policies relating to the risk and its management; the development and monitoring of the overall Risk Investment policy on a regular basis. The members of the Investment Committee are the two Executive Directors of the Company and the Senior Investment Advisor of the Investment Advice & Investment Research Department of the Company. Meetings are also attended by the Compliance & Anti-Money Laundering Compliance Officer and Risk Manager Officer as observers.

Risk Management Function

The Company has established, implemented and maintained adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Risk Management Function is outsourced to Deloitte Limited, as the Company is a fully owned subsidiary of Deloitte Limited in Cyprus, and is responsible for monitoring the adequacy and effectiveness of the Company's risk management policies and procedures. Risk management is fundamental to the Company's business and plays a crucial role in enabling Senior Management to operate more effectively in a changing and demanding environment. The Compliance Function of the Company is responsible for assuring that the Company complies with investment and related laws, regulations and CySEC's Directives and Circulars as well as with the Company's internal operations manuals and the established internal policies and procedures. Finally, the Company considers that the risk management policies, procedures and systems in place are adequate with regard to the Company's nature, scale, complexity of services, profile and strategy.

Analysis of the Risks Faced by the Company

The Company is subject to credit risk, capital risk, operational risk, interest rate risk, funding liquidity risk, currency risk, money laundering and terrorist financing risk, legal and compliance risk, reputation risk, litigation risk, online fraud and information and technology risk exposures. The analysis of the risks included in this Section of the Report describes each type of risk, the measures and policies taken

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by the Company to manage these risks and the standing of the Company with respect to each risk, as applicable.

Capital Risk / Regulatory Capital

With regards to Core Equity Tier I (CET1), the Company's core objective is to always maintain regulatory capital requirements ratios within and/or above the minimum capital requirements thresholds imposed by CySEC in accordance to its license, nature, scale and complexity of services offered to its Clients, to effectively manage any potential losses stemming from its capital risk exposure. The primary objective of the Company with respect to capital management is to ensure that the Company complies with the imposed capital requirements of Section 67 of the Law with respect to its own funds and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value and optimise its debt and equity balance. ***It should be noted that even-though the Company is exempted from capital adequacy reporting requirements under CRD IV and from the ICAAP and Pillar III disclosures reporting requirements as at 31 May 2017 and nevertheless in accordance with article 4 (1) (2) of Regulation no. 575/2013, the Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.*** The Company's overall strategy remains unchanged from last year.

Credit Risk

Credit Risk arises when failures by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company has no significant concentration of credit risk. Cash balances are held with financial institutions in, inter alia, Cyprus as well as Switzerland and Gibraltar and the Company. All the custodians of the Company have been assessed in accordance with the provisions of the Company's IOM and CySEC's Directive DI144-2007-01 as in force and/or as amended from time to time. Further, the Company limits the amount of credit exposure to any financial institution which holds Company funds by separating relevant balances within different credit/counterparty institutions. Finally, the Company ensures that the services offered to customers are with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. The risk of default of these credit institutions is low, based on the relevant calculations in the Company's capital requirements.

	31.05.2017	31.12.2015
	€	€
Amounts to be invoiced to clients	**75.000**	-
Trade and other receivables	**25.835**	24.827
Cash at bank	**230.758**	562.417
	331.593	587.244

Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. The following list presents some event types, included in operational risk, with some examples for each category:

a) ***Internal Fraud*** - misappropriation of assets, intentional mismarking of positions, bribery, tax evasion;
b) ***External Fraud*** - theft of information, hacking damage, third-party theft and forgery;

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c) ***Employment Practices and Workplace Safety*** - discrimination, workers compensation, employee's health and safety;
d) ***Clients, Products and Business Practice*** - market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning;
e) ***Business Disruptions and Systems Failures*** - utility disruptions, software failures, hardware failures, disaster recovery failures and business continuity failures;
f) ***Delivery of Services and Process Management*** - data entry errors, accounting errors, failed mandatory reporting, negligent loss of Company assets and failure of best services offered to Clients.

The Company manages operational risk through a control-based environment in which processes are documented and activities and monitored on a day-to-day basis supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. Further the Company has in place written policies, procedures and internal operations manuals whose implementation assists on the evaluation and management of any operation exposure(s) to different types of operational risk as applicable. In addition, IT systems and relative policies include backup processes and procedures, data recovery, software and hardware maintenance and anti-virus processes which adequately and are in place to manage, monitor and ensure escalation and/or failures of performance as applicable. Further, the Company implements business continuity, disaster and data recovery policies to encourage actions to be taken in cases of damage or failure to any vital part of the Company's operations and to ensure that all members of staff can adequately and accurately perform relevant actions to such instances. Finally, the Company's systems are evaluated, maintained and upgraded on a continuous basis and as necessary.

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest bearing assets. The Company is exposed to interest rate risk in relation to its bank deposits. The Company further is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Risk Management with the assistance of the Accounting Function monitor the interest rate fluctuations on a continuous basis and acts accordingly. At the reporting date the interest rate profile of interest- bearing financial instruments was:

	31.05.2017	31.12.2015
	€	€
Variable rate instruments		
Financial assets	**230.758**	562.417
	230.758	562.417

Sensitivity Analysis

An increase of 100 basis points in interest rates at 31 May 2017 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

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	01.01.2016 - 31.05.2017	01.01.2015 - 31.12.2015
	€	€
Variable rate instruments	**2.308**	5.624
	2.308	5.624

Funding Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Liquidity risk is the possibility that, over a specific horizon, the Company will be unable to meet its demands/needs for money (i.e. cash) through mismatch of assets and liabilities. For the year under review, the Company did not appear to be exposed to funding liquidity risk.

The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets by having available an adequate amount of committed credit facilities and for the measurement and management of the Company's net funding position and requirements which are monitored and measured by the Risk Manager with the assistance of the Accounting Function on an ongoing and forward-looking basis.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 May 2017	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	€	€	€	€	€	€	€
Trade and other payables	69	69	69	-	-	-	-
Payable to the parent company*	141.706	141.706		-	141.706	-	-
	141.775	**141.775**	**69**	-	**141.706**	-	-

31 December 2015	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	€	€	€	€	€	€	€
Bank overdrafts	3.176	3.176	3.176	-	-	-	-
Trade and other payables	4.388	4.388	4.388	-	-	-	-
Payable to the parent company*	447.148	447.148	-	-	447.148	-	-
	454.712	**454.712**	**7.564**	-	**447.148**	-	-

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** There is no contractual obligation of repayment within the next 12 months for amounts payable to the parent company. These amounts are shown as due more than one year in the financial position.*

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollars and the British Pounds. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	31.05.2017	31.12.2015	**31.05.2017**	31.12.2015
	€	€	**€**	€
United States Dollars	**-**	-	**102.233**	209.029
Swiss Francs	**-**	-	**-**	5.639
British Pounds	**-**	-	**5.972**	7.123
	-	-	**108.205**	221.791

Sensitivity Analysis

A 10% strengthening of the Euro against the following currencies at 31 December 01.01.2016 - 31.05.2017 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or Loss	
	01.01.2016 - 31.05.2017	01.01.2015 - 31.12.2015
	€	€
United States Dollars	**(10.223)**	(20.903)
Swiss Francs	**(-)**	(564)
British Pounds	**(597)**	(712)
	(10.820)	(22.179)

Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk that the Company may be used as a vehicle to launder money and/or finance terrorism. The Company has established policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

(a) the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company;

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(b) the adoption of adequate Client on boarding, due diligence and identification procedures that allows it to confirm the identity of the Clients gradually according to the level of activity/risk associated with the relevant Client;

(c) setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information, documentary evidence). The Company has been using external service providers such as WorldCheck to trace high risk individuals and companies;

(d) obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship;

(e) on-going monitoring of high risk Clients and Company related activities, as applicable;

(f) ensuring that the Company's personnel receives the appropriate training and assistance as applicable.

The Company's Anti-Money Laundering and Terrorist Financing Manual (hereinafter referred to as the "AML/CFT") along with other internal policies and procedures of the Company combined with the Risk Based Approach, lay down in detail all the applicable policies, procedures and controls as well as other internal practices and measures relevant and applicable to the Company's compliance with relevant regulatory and legislative requirements.

The Company's Risk Assessment is based on the impact (i.e. the potential harm that could be caused) and probability of failure (i.e. how likely the event is to occur). Each of these (i.e. the impact and probability) should be assessed based on a set of predefined risk measures and / or evaluation categories / factors.

Impact is designed to capture the size of a Regulated Entity and the potential harm that it could do to the Regulated Entity's responsibilities and reputation. The impact is calculated using numerical data about the entity, from information to be taken from the entity's regulatory returns.

Probability should be assessed based on the evaluation categories applicable to the Regulated Entity. The evaluation categories are distinguished in four (4) main categories:

- Anti-Money Laundering: Aim is to ensure that Regulated Entities minimize the possibility that they may be used for financial crime.
- Prudential: Aim is to assess the safety and soundness of the Regulated Entities and reduce the threat entities pose to the stability of the financial system in providing critical financial services.
- Conduct: Aim is to ensure that clients get a fair treatment and ensure that markets are resilient and fair.
- Governance: Aim is to assess whether processes and decisions that seek to define actions, grant power and verify performance of the entity are adequate.

Different evaluation categories / factors should be assessed with a set of predefined risk measures. Risk measures can be both quantitative and qualitative:

- Quantitative assessment should be performed for all entities and should reflect the entity's inherent probability (i.e. in combination with impact will indicate each entity's inherent risk).
- Inherent probability should be assessed based on a set of (mostly) numerical data, and will indicate each Regulated Entity's size and key characteristics of its business activities.

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- Qualitative assessment evaluates each entity's procedures, systems and controls implemented. The areas of qualitative assessments should be driven from the results of the quantitative assessment, or other external factors identified during the regulatory period.

Based on the results of the qualitative assessments, the Regulated Entity should identify any actions that need to be taken, and should monitor these accordingly. The probability calculated from the quantitative and the qualitative assessment will result to an entity's overall probability (i.e. net probability).

To this end, the Firm has developed a specific Dynamic and Iterative Risk Based Model (DRB model) that is in line with regulatory requirements and at the same time taking into consideration the relevant global industry leading practices. Further to the above, the Company has reviewed its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporate, as applicable, any new information issued/available in this respect.

It should be noted that the Company, following its internal risk assessment, reserves capital against Money Laundering and Terrorist Financing Risk as part of its overall exposure to Legal and Compliance Risks.

Legal & Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital that could result and or arise from violations and breaches of, or non-conformance with, laws, bylaws and regulations, prescribed practices, internal policies, and procedures, or ethical standards which may have an effect on the revenue/income and on the capital of the Company. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts.

Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. As far as the Legal Risk is concerned, such risk pertains to the possibility that a contractual agreement with a service provider, credit institution or counterparty may turn to be legally non-enforceable for any reason. Part of the Legal Risk relates to regulatory and litigation risk, which pertains mostly to the possibility of non-compliance with applicable legislation which in turn may change/amended during the enforcement and applicability of a legally binding contractual agreement.

The prospective possibility and probability of general legal and compliance risks for the Company are relatively low due to the internal policies and procedures established and implemented by the Compliance Function and reviewed by the Internal Auditor. The Company's Internal Operations Manual, further, guide compliance with applicable legislative and compliance applicable requirements which are reviewed and updated on an on-going and ad hoc basis. The structure of the Company is such so as to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any board decisions to enhance compliance are implemented by management.

The Compliance risk assessment takes into account the applicable obligations under the Law and the Directives issued pursuant to the Law, as well as the policies, procedures, systems and controls implemented within the Firm in the area of investment services and activities. The assessment also takes into account the results of any monitoring activities and of any relevant internal or external audit findings. Therefore, the Firm ensures that its compliance function remains responsible for monitoring its own compliance risk. The risk-based approach to compliance forms the basis for determining the appropriate tools and methodologies used by the compliance function, as well as the extent of the

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monitoring program and the frequency of monitoring activities performed by the compliance function (which may be recurring, ad hoc and/or continuous).

The Internal Auditor undertakes a scheduled on-site internal audit inspection in order to assess, inter alia, the Company's compliance with the regulatory framework. On this basis, any recommendations based on Internal Audit findings identified as well as their management, display a clear intention to work towards full compliance with the Law and its Directives and Circulars. Moreover, the Risk Manager will review the Internal Auditor's report with respect to any deficiencies identified in the Risk Management function and undertake all relevant remedy measures.

Finally, as part of the internal assessment of general compliance and legal risk, the Company taken into consideration the possibility of incidents of non-compliance occurring and subsequent possible penalties arising from regulators. Based on such assessments, Legal and Compliance Risks have been assesses as material and certain amount of capital has been allocated against such risks. Finally, the Company's Compliance Officer has initiated a program for 2017 to supervise and examine in detail the level of compliance of certain areas of the Company with the relevant legislation in light of any deficiencies identified during the year under review, propose remedy measures/actions, and provide the relevant training to the Company's personnel, as and when required.

Nevertheless, it is important to emphasize the fact that the Company's exposure to legal and compliance risks is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as due to the general monitoring controls applied by the Company.

Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by Clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large Clients, poor Client service, fraud or theft, Client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible Client complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with Client complaints is low, compared to the high amount of the Company's Clients, as the Company does its best to provide high quality services to its Clients and has the appropriate procedures in place. In addition, the Company's Board members and Senior Management is comprised of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

Information Technology Risk

Information Technology (hereinafter referred to as the **"IT"**) risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's IT. Specifically, policies have been implemented regarding backup procedures, software maintenance, hardware maintenance, and use of the internet and anti-virus procedures.

As part of his annual inspection, the Internal Auditor evaluates and assesses whether the Company's electronic systems are generally in compliance with applicable legislation. The results of such assessment are always communicated to the Senior Management and Board of directors of the Company.

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Finally, the aim of the Company is for the materialisation of the IT risk to be minimised to the lowest possible level and, as such, the Risk Manager takes the respective rectifying measures, as and when deemed necessary. Finally, the Company shall undertake further arrangements regarding the setup of its servers and the relevant systems involved, as to ensure their reliability and effectiveness as well as to secure the integrity of the extracted data, ensuring further that the Company's activities are performed on an on-going continuous basis and in accordance with the Business Continuity and Disaster Recovery Plans as per applicable legislative requirements, whilst avoiding additional operations risks.

Other Risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

Moore Stephens Stylianou & Co
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Certified Public Accountants and Registered Auditors