



Veles International

VELES INTERNATIONAL LIMITED

2021 Public Disclosures Report

According to Part Six of Regulation (EU) No 2019/2033 of the European Parliament and of the Council of 27 November 2019 on 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

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1. General Information and Scope of Requirements of the Legislation

1.1. Corporate Information

Veles International Limited (“VIL” or “the Company”) is regulated by the Cyprus Securities and Exchange Commission ('CySEC') under authorization number CIF 075/06 issued on 20 September 2006 by which it is licensed to operate as a Cypriot Investment Firm (“CIF”) and to provide investment and ancillary services in relation to financial instruments in accordance with its license.

The principal activities of VIL are the provision of the following investment services and ancillary services:

Investment Services

- Reception and transmission of orders in relation to one or more financial instrument.
- Execution of orders on behalf of clients.

Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services.
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- Foreign exchange services where these are connected to the provision of investment services.

1.2. Pillar III Regulatory Framework

This 2021 Public Disclosures Report (“this Report”) has been prepared in accordance with the provisions of Part Six of Regulation (EU) No 2019/2033 on prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”), under which investment firms have an obligation to publish the information referred to in Part Six of the IFR on the same date as they publish their annual financial statements, and the Commission Implementing Regulation (EU) 2021/2284 of 10 December 2021 laying down implementing technical standards for the application of IFR with regard to supervisory reporting and disclosures of investment firms.

Regulatory Framework Overview

The current legislation, the IFR, establishes the prudential requirements for own funds, concentration risk, liquidity, reporting and public disclosure that investment firms authorised and supervised under Directive 2014/65/EU and supervised for compliance with prudential requirements under Directive (EU) 2019/2034 need to abide by. It is immediately binding on all EU member states. IFR introduced significant changes in the prudential regulatory regime applicable to investment firms including own funds composition and own funds

requirements, and requirements for liquidity risk, concentration risk, reporting and public disclosures.

Basis and Frequency of Disclosure

This Report sets out both quantitative and qualitative information required in accordance with Part Six “Disclosure by Investment Firms” of the IFR. Articles 47 to 53 of the IFR specify the disclosure requirements.

This Report is published annually on VIL’s website <http://veles-international.com> in accordance with regulatory guidelines. This Report provides additional information to the audited Financial Statements information on the capital and risk profile of VIL.

1.3. Scope of Application

During year 2021, the Company was controlled by IC Veles Capital LLC, incorporated in Russia, which owned 100% of the Company’s shares.

The Company prepared this Report on an individual basis.

1.4. Implications of Coronavirus Outbreak

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

These measures have slowed down the economy of both Cyprus and the world economy, and there is a possibility of wider implications for the economy as the measures continue to be in place for a longer period of time. The negative effects of the epidemic on the economy depend to a large extent on its overall expansion and the duration of its reduction. The Cypriot government has already taken steps to curb the spread of the virus, including travel restrictions, isolation measures, and financial support to vulnerable groups and businesses.

The financial and other effects of the current crisis on the global and Cypriot economy as well as the direct and indirect effects on the Company’s business, financial and business activities cannot be estimated with reasonable certainty at this stage due to the rate at which the virus is growing and the high level of uncertainty resulting from the inability to reliably predict the outcome. Management monitors the recent developments of the COVID-19, takes appropriate actions where necessary and has considered the potential impact on the Company.

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Management has considered the unique circumstance and the risk exposures of the Company and has concluded that there is no significant impact in the Company's operations, liquidity financial performance and financial position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the impact in case the period of disruption becomes prolonged.^[IE1]

2. Risk Management Framework and Structure

VIL aims to embed explicit and robust risk management practices in all areas of its business, from the initial design of its business strategy to the sale of services to its customers, so as to ensure that the level of risk it faces is consistent with VIL's risk appetite and corporate objectives. This is achieved by implementing a sound, coherent and comprehensive risk management framework for the identification, assessment, monitoring and control of risks within VIL. VIL's risk management framework improves the service provided to customers and protects and maximizes shareholder value. It also allows VIL to adapt and meet challenges in a structured way, so that it can continuously align its strategy and business objectives against a background of changing risk and uncertainty.

VIL's risk management framework is based on four key elements: a) Risk Governance; b) Organizational model and risk functions (policies, guidelines, monitoring and reporting); c) Risk Appetite; and d) Risk Culture.

VIL's risk management framework has been developed to:

- Ensure that the level of capital adequacy, as approved from time to time, is maintained and safeguards that the total risk taken across VIL is not greater than VIL's ability to absorb losses.
- Allow VIL to proactively manage its risks in a systematic and structured way and to continuously refine its processes in order to reduce its risk profile and ultimately its capital requirements.
- Ensure appropriate strategies are in place to mitigate or transfer risks.
- Ensure that risk management is an integral part of VIL's process of strategic decision making and capital planning.
- Help create a culture of risk awareness at all levels within VIL.
- Engage VIL's management in monitoring, reviewing, reporting and managing of identified risks, as well as consider new and emerging risks on a continuous basis.

VIL's risk management framework is monitored by its executive managers and the Board of Directors ("the Board" or "BoD"). The framework and its constituents are subject to compliance and internal auditor reviews that endorse its effectiveness or where necessary identify issues to be addressed.

VIL's management and the Board are satisfied that these arrangements are appropriate given VIL's risk profile.

2.1. Board of Directors

The overall responsibility for VIL is undertaken by the Board comprising of five (5) Directors, two (2) Executive and three (3) Non-Executive Directors.

The Board of VIL bears the principal responsibility for setting and monitoring VIL's business strategy and overseeing the operations of VIL's management.

The Board of Directors is a critical part of systems of checks and balances that lies at the heart of VIL's corporate governance system. The Board members, both individually and as a group, have the following general responsibilities:

- Undertaking overall responsibility for VIL.
- Establishing corporate values and governance structures of VIL to ensure that the business is conducted in an ethical, competent, fair, and professional manner.
- Ensuring that all legal and regulatory requirements are met and complied with fully and in a timely fashion.
- Establishing long-term strategic objectives for VIL with a goal of ensuring that the best interests of clients and shareholders come first, avoiding any conflict of interest, and that VIL's obligations to other stakeholders are met in a timely and complete manner.
- Establishing clear lines of responsibility and a strong system of accountability and performance measurement in all phases of VIL's operations.
- Ensuring that management has supplied the Board with sufficient information for it to be fully informed and prepared to make decisions that are its responsibility, and to be able to adequately monitor and oversee VIL's management.
- Meeting frequently enough to adequately perform its duties, and meeting in extraordinary session as required by events, and
- Acquiring adequate training so that members of the Board are able to adequately perform their duties.

2.2. Board Committees

During 2021, the Company did not maintain any Board Committees due to relatively simple business model, where VIL acts as a broker with limited license in the sense of not providing complex services such as dealing on own account and/or portfolio management, and due to VIL not qualifying as a significant investment firm.

3. Risk Management Objectives and Policies

VIL's risk management policies and procedures along with relevant detailed risk management framework (which includes the general Risk Management policy, and separate Credit and Operational Risk Management, ICARA and Public Disclosures policies) are regularly (on at least yearly basis) reviewed by the Company's Risk Manager and approved on the level of the Company's Board whenever significant changes are introduced as a result of the annual review.

VIL has developed its risk management policies with consideration of the major risks faced by VIL at present or, in the near future. The policies are effectively translated into procedures, processes and tools, for significant number of individual risks as identified by the Risk Manager.

The aforementioned procedures, arrangements, processes and mechanisms are perceived to be satisfactory and allow VIL to achieve its business objectives effectively and efficiently, and the staff and management's adherence to these was maintained at high levels throughout the reporting year.

3.1. Risk Management Function

The Risk Management function leads and coordinates the actions on identifying, measuring, advising on, monitoring and managing the risks relating to VIL's activities, processes and systems (except for specific compliance risks which VIL's Compliance function is responsible for), as well as reporting on these issues internally to the Board and externally to the regulators.

VIL's Risk Management function regularly, and whenever a material change occurs, reviews and monitors the effectiveness of the Company's policies and relevant arrangements with a view to identify and, where appropriate, correct any deficiencies.

Risk Management function reports annually on the effectiveness of VIL's Risk Management policies to the Board, who consider the appropriate action to be taken.

3.2. Compliance Function

The Compliance function (or "Compliance") of VIL is established to lead and coordinate the actions on identifying, assessing, advising on, monitoring and mitigating specific compliance risk, as well as reporting on compliance issues internally to the Board, and externally to the regulators.

The compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation VIL may suffer as a result of its failure to comply with laws, regulations and rules applicable to its activities, as well as VIL's internal policies and procedures. The Compliance's work program is developed on the basis of the

compliance risk assessment. The identified risks are reviewed on a regular and an ad-hoc basis to ensure that all emerging risks are taken into consideration.

Compliance activities aim to assure the commitments of VIL's Board and senior management to always act ethically, diligently and in compliance with the current legislation, regulatory guidance and best practice. Under the Cyprus and international laws, the ultimate responsibility for compliance rests with the Board. It is VIL's directors who are ultimately responsible for compliance issues and compliance culture with the Compliance Officer (Head of Compliance) being the Board's agent aiding directors with their responsibilities, so delegated, and implementing the compliance policy on a day-to-day basis. VIL's Compliance Policy, as adopted by the Board, must be observed by all VIL's employees who are responsible to the Chief Executive Officer for actually doing compliance (being compliant) under the Compliance's supervision and guidance.

The Compliance function's activities are supervised by the Board and annually reviewed by the Internal Audit with the respective report provided to the Board.

3.3. Money Laundering Compliance Function

The basic principles of functioning, reporting, supervision and powers of VIL's Money Laundering Compliance function are identical to those applicable to Compliance function described in the respective section above. However, the Money Laundering Compliance Officer (Head of Money Laundering Compliance function or "MLCO") deals separately and independently with the particular risks associated with money-laundering ("ML"), terrorist financing ("TF") and financial sanctions. Importantly, Compliance and the MLCO always act in tandem backing-up each other where the synergy is obvious, such as in applying Know Your Client ("KYC"), Client Due Diligence ("CDD"), Anti-Corruption or Anti-market Abuse measures.

The Company's Board has primary responsibility for the design and implementation of the AML/CTF measures across the Company including the Company's AML/CTF Manual. The Board allocates to VIL's MLCO overall responsibility for the establishment and maintenance of the AML&CTF systems and controls. The MLCO is responsible for implementing and maintaining VIL's AML/CTF Manual on a daily basis, for monitoring its being up-to-date and effective, for dealing with any queries on its interpretation and providing respective training and guidance to the staff, for receiving and investigating internal suspicious activity reports, as well as for reporting to the Board and to the authorities (CySEC and MOKAS). The Board ensures that the MLCO has sufficient resources, including competent staff and systems, for the effective discharge of his/her duties.

The MLCO monitors the Company's business activities on a regular basis, closely investigates every case of suspicion identified and reports the results internally (to the Board) and, if deemed necessary, to the authorities. The MLCO has the right to suspend, for indefinite time, transactions which are currently being considered if they may in his/her opinion give reasonable grounds for knowledge or suspicion of ML&TF.

3.4. Internal Audit Function

The Internal Audit function reviews and evaluates the appropriateness, effectiveness and adequacy of the Company's policies, practices, measures, procedures and control mechanisms applied for compliance with relevant to VIL legislation and for prevention of money laundering and terrorist financing. The Internal Audit function carries checks on control environment, concentrating on the risk areas as identified by the Company's management. The function also has advisory role.

The Internal Audit Function performs the following procedures:

- Inspection of the Company's systems and premises.
- Interviewing key personnel of the Company.
- Assessing the Company's internal policies and procedures manual (the "Manual").
- Documenting the procedures in accordance with the Manual and performing walk-through tests to establish the actual performance of procedures by the Company.
- Assessment of procedures as documented in the Manual in terms of their efficiency and effectiveness.
- Assessment of procedures as documented in the Manual in terms of their compliance with the Law (selected areas).
- Performing walk-through tests of transactions processed through the systems, on a sampling basis.
- Accessing the risk level of the findings, where and as applicable.
- Recognizing and recording the problematic areas.
- Providing recommendations on areas which need improvement.

4. Board's Risk Appetite Statement

Risk appetite is the amount and type of risk that VIL is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, business, regulatory, operational, credit, and reputational risk. The Board approves and annually reviews VIL's risk appetite, expressed along multiple dimensions, with zero tolerance for non-compliance with applicable laws and regulations, bribery, corruption, economic sanctions, equal employment opportunity and diversity principles, ethical standards, and other matters that could compromise the Company's integrity.

VIL has an overall low appetite for regulatory, operational and reputational risks, and a moderate appetite for business and credit risks. Where there is discretion, VIL is willing to assume more risk to remain nimble in meeting the challenges of an evolving financial services industry landscape.

4.1. Risk Culture

The Board has a critical role in strengthening risk governance, including setting the "tone at the top", reviewing strategy, and approving VIL's risk appetite. The Board is ultimately responsible and accountable for risk governance at VIL.

A robust risk culture is a substantial determinant of whether VIL will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that VIL wishes to build is reflected in its policies and procedures and these are closely aligned to its risk appetite. Risk culture is manifested in the day-to-day decisions that indicate how risk is identified, understood, discussed and acted upon.

VIL has focused primarily on the implementation of a firm-wide effective and pervasive risk culture. This is achieved through the following:

- Embedding risk culture at all levels of VIL with clear ownership and accountability of tasks.
- Conducting firm-wide risk assessments.
- Implementing formal risk education presentations.
- Changes in job content and descriptions of key personnel.
- Changes in policies and procedures, introducing additional risk criteria for the evaluation of credit and investment decisions.
- Changes in key personnel.
- Training of front-line personnel.

Furthermore, VIL takes risks in connection with its normal business and as such, the following principles underpin the inherent risk culture:

- Risk is taken within a defined risk appetite.
- Every risk taken needs to be approved within the risk management framework.
- Risk taken needs to be adequately compensated.
- Risk should be continuously monitored and managed.

VIL's RM focuses his/her efforts on monitoring the extent to which the risk culture is embedded in the day-to-day operations. Measures to monitor the degree to which this is achieved include, but are not limited to, tracking:

- The number and frequency of risk limits exceeded.
- Causes of limit breaches.
- The number of issues identified in internal audit reports.
- The manner in which audit issues have been addressed.
- The percentage of self-reported risk problems.
- The degree to which information is filtered as it is escalated.
- How VIL deals with staff that have violated risk policy, including how many unintentional mistakes are addressed.

5. Governance Arrangements

5.1. Number of Directorships Held by the Members of the Board

Table 1 below provides the number of directorships each member of VIL’s Board holds at the same time in other entities, excluding VIL and any other companies belonging to the same group as VIL. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

| Table 1: Directorships of Board Members | | | |
|--|--------------------------|---|---|
| Name | Position with VIL | Directorships - Executive in other companies | Directorships - Non-Executive in other companies |
| Ganna Dotsa | Executive Director | - | - |
| Alexey Gnedovskiy | Executive Director | - | - |
| Demos Nicolaidis | Non-Executive Director | 1 | - |
| Stylianios Procopiou | Non-Executive Director | - | 2 |
| Dmitry Bugaenko | Non-Executive Director | - | - |

5.2. Policy on Diversity with Regard to Selection of Members of the Board

VIL’s shareholders and the Board of Directors realize that in order to enhance the Board’s efficiency, to mitigate the negative effect of “groupthink” (inadvertent suppression of contradictory views and doubt) in decision making and to facilitate independent opinions and critical challenge with variety of views, standpoints and experiences, the Board and the senior management team should be sufficiently diverse as regards age, gender, geographical provenance and educational and professional background.

VIL’s shareholders and the Board also understand that diversity is crucial in implementing changes and launching initiatives, especially in the situations of environmental instability and changing regulation. Moreover, dissimilar views and knowledge can trigger innovations giving VIL’s business advantages in highly competitive environment of the financial services industry.

Also, gender, age, ethnic origin balance and other diversity issues are of particular importance to ensure adequate and fair representation of population, promote equality and counter discrimination. For these purposes, VIL is implementing the principle of equal treatment irrespective of racial or ethnic origin, religion or belief, disability, age or sexual orientation.

VIL’s Chairman is responsible for the implementation of VIL’s Board of Directors’ Members Selection Policy:

Diversity and respective internal and external reporting on the achievements of the policy objectives.

As part of his/her responsibilities on diversity, the Chairman ensures that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of VIL as a whole.

5.4. Risk Committee

During 2021, the Company did not maintain a Risk Committees due to relatively simple business model, where VIL acts as a broker with limited license in the sense of not providing complex services such as dealing on own account and/or portfolio management, and the relevant duties were assigned to the Board.

6. Own Funds

VIL's own funds consist solely of Common Equity Tier 1 capital. Common Equity Tier 1 capital is comprised of fully paid up capital instruments and retained earnings. Losses for the current financial year and other capital deductions, which comprise of Investors Compensation Fund ("ICF") contribution and the additional cash buffer, are deducted from the Common Equity Tier 1 Capital.

Table 2 below shows a composition of VIL's Regulatory Own Funds as at 31 December 2021.

| Table 2: COMPOSITION OF REGULATORY OWN FUNDS | | 31 December 2021 |
|--|--|-------------------------|
| | | \$'000 |
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | |
| 1 | OWN FUNDS | 5.620 |
| 2 | TIER 1 CAPITAL | 5.620 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 5.620 |
| 4 | Fully paid up capital instruments | 1.415 |
| 6 | Retained Earnings | 4.507 |
| 12 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | -180 |
| 17 | (-) Losses for the current financial year | -180 |
| 27 | CET1: Other capital elements, deductions and adjustments | -122 |

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Table 3 below shows a Reconciliation of VIL's Own Funds with Audited Financial Statements as at 31 December 2021.

| Table 3: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements | | Balance sheet as in audited financial statements |
|--|--|--|
| | | \$'000, as at 31 December 2021 |
| Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements | | |
| Non-current assets | | |
| 1 | Property, plant and equipment | 17 |
| 2 | Right-of-use assets | 26 |
| 3 | Contribution to Investor Compensation Fund | 118 |
| Current assets | | |
| 4 | Trade and other receivables | 34.956 |
| 5 | Refundable tax | 72 |
| 6 | Cash and cash equivalents | 14.793 |
| Total Assets | | 49.982 |
| Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements | | |
| Current liabilities | | |
| 1 | Lease liabilities | 19 |
| 2 | Trade and other payables | 44.221 |
| Total Liabilities | | 44.240 |
| Shareholders' Equity | | |
| 1 | Share capital | 1.415 |
| 2 | Reserves | 4.327 |
| Total Shareholders' equity | | 5.742 |

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Table 4 below shows Own Funds Main Features as at 31 December 2021.

| Table 4: Own funds: main features of own instruments issued by the firm | | Free text |
|---|--|-----------------------------|
| 1 | Issuer | Veles International Limited |
| 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 |
| 5 | Instrument type | Ordinary shares |
| 6 | Amount recognised in regulatory capital (US\$ in million, as of 31 December 2021) | 1,415 |
| 7 | Nominal amount of instrument | €1.026.000 |
| 8 | Issue price | €1,71 per share |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Share capital |
| 11 | Original date of issuance | 2005 |
| 12 | Perpetual or dated | N/A |
| 13 | Original maturity date | N/A |
| 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, if applicable | N/A |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/coupon | No |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory (in terms of timing) | 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 | N/A |
| 23 | Noncumulative or cumulative | N/A |
| 24 | Convertible or non-convertible | No |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible into | N/A |

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| | | |
|----|--|-----|
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | N/A |
| 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 | N/A |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |

7. Own Funds Requirements

7.1. Summary of VIL's approach to assessing the adequacy of its internal capital

In accordance with the Article 24 of the IFR, as implemented by the L. 165(I)/2021 LAW TO PROVIDE FOR THE PRUDENTIAL SUPERVISION OF INVESTMENT FIRMS, VIL shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. This regulatory requirement is implemented via VIL's Internal Capital Adequacy and Risk Assessment Policy ("ICARA Policy") approved by the Company's Board. The strategies and processes covered by ICARA Policy are subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

VIL's ICARA Policy also takes into account the relevant guidelines of CySEC for the Internal Capital Adequacy Assessment Process (the "ICARA") and comprises of all the procedures and measures adopted with the purpose of ensuring the following:

- The appropriate identification and measurement of risks.
- An appropriate level of internal capital in relation to VIL's risk profile.
- The application and further development of suitable risk management and internal control systems.

VIL adopted the Minimum Capital Requirement Approach in the design of its ICARA, given the low complexity of its operations and its relatively small size. Specifically, the process followed for the preparation of VIL's ICARA documents is implemented in the following steps:

- Identification and articulation of future business plans and objectives resulting in compilation of three-year Budgets and of projected Statement of Financial Position (Balance Sheet) and Statement of Profit or Loss (Income Statement).
- Identifying and assessing risks pertinent to VIL's operations before and after internal controls.
- Aggregation of identified risks.
- Formulating stress test scenarios and performing stress testing (with assumptions and results).
- Assessment of the impact of stress test scenarios on forecasted capital plan.
- Capital allocation in accordance with the profile of the risks identified and in line with stress test results.

7.2. The K-factor and the Fixed Overheads Requirements

Table 5 below presents the K-factor requirements calculated, in accordance with Article 15 of the IFR, in aggregate form for RtM, RtF, and RtC (as rge terms are defined in the IRF), based on the sum of the applicable K-factors, and the the fixed overheads requirement determined in accordance with Article 13 of the IFR:

| Table 5: Own funds requirements | |
|--|-----------------------------|
| Item | K-factor Requirement |
| | \$'000 |
| Total K-factor requirement | 218 |
| Risk to client (RtC) | 218 |
| Risk to market (RtM) | - |
| Risk to firm (RtF) | - |
| | |
| Fixed Overhead Requirement | 331 |

8. Remuneration Policy

VIL's Remuneration Policy sets forth VIL's policies and procedures for establishing remuneration of VIL's staff based on the accepted industry practices and in accordance with the current legislation. For the purposes of this policy, remuneration includes wages, salaries and other financial and material incentives, including benefits associated with retirement.

VIL's Remuneration Policy applies to the following staff categories (the "covered staff categories"):

- Senior management (Executive and Non-executive Directors).
- Employees, whose activities are associated with risk taking.
- Employees entrusted with control functions (Risk Manager, Compliance, MLCO, and Internal Auditor).
- Employees with management functions (Chief Accountant, Head of Treasury, Head of Back-Office, and Head of Middle Office).
- Any employee receiving total remuneration that takes him/her into the same remuneration bracket as senior management and risk takers, whose professional activities have a significant and/or material influence on the risk profile of VIL.

The remuneration of the covered staff categories of VIL consists of fixed, non-performance-based portion only. VIL does not have any arrangements for any kinds of variable components of compensation payable to its covered staff categories. No predefined bonus award schemes exist, and VIL does not have any executive incentive schemes in place. Also, VIL does not provide for any benefits for its employees or management upon their retirement.

The fixed portion of the remuneration of each of the covered staff categories is determined by the individual employment contract with that person or in accordance with the service contract concluded with relevant service provider. The amount of such fixed remuneration is determined with reference to the: (i) current labor market trends; (ii) organizational responsibilities as set out in an employee's job description as part of the employment contract; (iii) qualifications, skills and professional experience of relevant person, and is not in any way related to performance.

8.1. Design and Structure of Remuneration

VIL's Board of Directors has the responsibility for deciding on the compensation and benefits for Executive and Non-executive Directors. In discharging this duty, the Board is guided by three goals:

- Compensation should fairly pay directors for work required in a company of VIL's size and scope.
- Compensation should align directors' interests with the long-term interests of shareowners.

- The structure of the compensation should be simple, transparent and easy for the shareholders to understand.

The Board believes these goals are served by providing 100% of both employee and non-employee director compensation in fixed, non-performance based portion. The Board ensures that variable remuneration is not paid through vehicles or methods that facilitate the non compliance with this policy, including those on the group level.

Decisions relating to the remuneration of members of VIL's Board, may from time to time be assigned to the General shareholders' meeting, as per the requirements of the Cyprus corporate law. The shareholders' vote may be either consultative or binding. To this end, shareholders should be provided with adequate information in order for them be able to make informed decisions. The Board remains responsible for the proposals submitted to the shareholders' meeting, as well as for the actual implementation and oversight of any changes to the remuneration policies and practices.

VIL's Board of Directors shall also directly control the level of remuneration set for control functions (i.e. for Compliance, MLCO, Internal Auditor, and the Risk Manager). Control functions' remuneration shall be independent of the performance of the business areas they control and shall be set with reference to:

- Objectives linked to their functions and respective responsibilities assigned.
- Market levels of remuneration for such services appropriate to VIL's size, internal organization, and the nature, scope and complexity of the function's activities.
- Qualifications, skills and experience of responsible person.

VIL's Chief Executive Officer (the "CEO") shall be responsible for establishing the level of remuneration set for management functions employees (i.e. for Head of Brokerage, Chief Accountant, Head of Treasury, Head of Middle Office, and Head of Back-Office). In discharging his/her responsibilities with this regard, the CEO shall be guided by provisions of VIL's Remuneration Policy. VIL's CEO is also responsible for the implementation of VIL's Remuneration Policy and respective internal and external reporting on the achievements of its objectives.

8.2. Fees and Emoluments of Members of the Board and Other Key Management Personnel

The fees of Non-Executive Directors include fees payable to them as members of VIL's Board for the period that they serve as members of the Board. Two members of the Board (i.e. one Executive Director and one Non-Executive Director) are not remunerated by the Company.

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Remuneration of key managers by Business Area:

| Table 6: Aggregate Remuneration by Business Area | | | |
|--|---------------------|---------------------|---------------------|
| Business Area | Fixed | Variable | Total |
| | Remuneration | Remuneration | Remuneration |
| | \$'000 | \$'000 | \$'000 |
| Control Functions (including Executive and Non-Executive Directors) | 226 | - | 226 |
| Other Risk Functions | 217 | - | 217 |
| Total | 443 | - | 443 |

** "Other Benefits" according to the Financial Statements of the Company, were not included.*

Control Functions include the Company's Executive and Non-Executive Directors, the Risk Management function, Compliance function and Money Laundering Compliance function. The Other Risk Functions include the Treasury Department, the Back Office Department and the Middle Office Department.

| Table 7: Aggregate Remuneration by Directors and Senior Management | | | | |
|---|-----------------------------|---------------------|---------------------|---------------------|
| Personnel | No. of Beneficiaries | Fixed | Variable | Total |
| | | Remuneration | Remuneration | Remuneration |
| | | \$'000 | \$'000 | \$'000 |
| Directors and Senior Management | 8 | 443 | - | 443 |
| Total | 8 | 443 | - | 443 |

** "Other Benefits" according to the Financial Statements of the Company, were not included*

"Directors and Senior Management" includes the Company's Executive and Non-Executive Directors, the Heads of VIL's departments, the Risk Manager, Compliance and MLCO.

All of the remuneration was paid in cash form. In addition, no sign-on payments have been awarded and no severance payments were paid during 2021. Also, there were no deferred remuneration paid in either vested or unvested portions.