

SPA FINANCIAL SERVICES LTD

REMUNERATION POLICY

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1. General

SPA Financial Services Ltd (hereinafter the ‘Company’) is registered under Cyprus Company Law with License Number 141/11. It is authorized and regulated as a Cyprus Investment Firm by the Cyprus Securities and Exchange Commission (Commission), under the Investment Services and Activities and Regulated Markets Law of 2007 to 2016 (“the Law”).

As from 1st January 2015 all Cyprus Investment Firms (CIFs) must comply with Directive DI144-2014-14 of the CySEC for the Prudential Supervision of CIFs, regarding remuneration policies (paragraph 20), variable elements of remuneration (paragraph 21), and remuneration committees (paragraph 22).

The CIF must establish, implement and maintain remuneration policies and practices that comply on the one hand with the requirements of sections 18(2)(b) and 29 of the Law in relation to conflicts of interests and on the other hand, with the conduct of business rules set out in section 36(1) of the Law.

Moreover, the remuneration policies and practices of the CIF must be consistent with Circular C031 of the Commission concerning the guidelines on remuneration policies and practices.

The Remuneration Policy (RP) is the internal document approved by the Board of Directors of the Company and its provisions are applicable to each Director, Officer and Employee. The remuneration varies for different positions/roles depending on each position’s actual functional requirements, and it is set at levels, which reflect the knowledge level, experience, accountability, and responsibility needed for an employee to perform each position/role.

2. Remuneration Policy Requirements.

The Company when establishing and applying the total remuneration policies, inclusive of salaries and discretionary pension benefits, for categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, must comply with the following principles in a manner and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities:

1. The RP is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the CIF;
 2. The RP is in line with the business strategy, objectives, values and long-term interests of the CIF, and incorporates measures to avoid conflicts of interest;
 3. The CIF’s board of directors adopts and periodically reviews the general principles of the RP and is responsible for overseeing its implementation;
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4. The implementation of the RP is, periodically, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the board of directors;
5. Staff engaged in control functions independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
6. The remuneration of the senior officers in the risk management and compliance functions is directly overseen by the board of directors;
7. The RP, taking into account national criteria on wage setting, makes a clear distinction between criteria for setting:
 - a) Basic fixed remuneration, which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment; and
 - b) Variable remuneration which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

Variable Elements of Remuneration: For variable elements of remuneration, the following principles shall apply in addition to, and under the same conditions as, those set out in 1 through 7 above:

1. Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the CIF and when assessing individual performance, financial and non-financial criteria are taken into account;
 2. The assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the CIF and its business risks;
 3. The total variable remuneration does not limit the ability of the CIF to strengthen its capital base;
 4. Guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and shall not be a part of prospective remuneration plans;
 5. Guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the CIF has a sound and strong capital base and is limited to the first year of employment;
 6. Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
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7. CIFs must set the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:
 - a) The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual.
 - b) Shareholders of the CIF may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual unless exceptional circumstances prevail.
 - c) The percentage stated in point 7(b) above does not apply in the case of cross-selling of products offered by the CIF, where a non-management level employee can be entitled to receive a bonus in excess of 200% following the approval of the Board of Director and Shareholders with at least 75% of the votes in each case.

The CIF must notify all shareholders of the CIF, providing a reasonable notice period in advance, that an approval under point 7(b) will be sought;

1. The CIF must, without delay, inform the Commission of the recommendation to its shareholders, including the proposed higher maximum ratio and the reasons therefore and must be able to demonstrate to the Commission that the proposed higher ratio does not conflict with the CIF's obligations under this Directive and under Regulation (EU) No 575/2013, having regard in particular to the CIF's own funds obligations;
 2. The CIF must, without delay, inform the Commission of the decisions taken by its shareholders, including any approved higher maximum ratio pursuant to point 7(b), and the Commission must use the information received to benchmark the practices of CIFs in that regard. The Commission shall provide EBA with that information and EBA shall publish it on an aggregate home Member State basis in a common reporting format;
 3. Staff who are directly concerned by the higher maximum levels of variable remuneration referred to in point 7(b) of this paragraph must not, where applicable, be allowed to exercise, directly or indirectly, any voting rights they may have as shareholders;
 4. CIFs may apply a discount rate to a maximum of 25% of total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years.
 5. Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct;
 6. Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the CIF including retention, deferral, performance and clawback arrangements;
 7. The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required;
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8. The allocation of the variable remuneration components within the CIF must also take into account all types of current and future risks;
9. Staff members are required to undertake not to use personal hedging strategies or remuneration- and liability- related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
10. Variable remuneration is not paid through vehicles or methods that facilitate the noncompliance with this Directive or Regulation (EU) No 575/2013.

3. Company Remuneration Procedures

I. Executive / Managing Directors and Senior Management Personnel

Fixed remuneration: Executive Directors and Senior Management shall be eligible for an annual remuneration paid in 13 instalments as may approved by the Board of Directors always taking into consideration the scale and complexity of the company's operations, prevailing market conditions and geographical area of operation.

Management may recommend increments to the existing remuneration structure and the shareholders may approve them. The fixed remuneration will include any statutory contributions (such as social insurance) by the employee.

Variable remuneration: A performance-based remuneration might be given should the Company's performance be deemed satisfactory to the shareholders or their representatives.

II. Non-Executive / Independent Director

The Non-Executive / Independent Directors may receive a yearly remuneration by way of Director's fees invoiced to the Company. All non-executive members will be required to attend Board of Directors meetings at a minimum frequency of twice per year. Attendance via teleconference is accepted in cases where the director cannot appear in person due to overseas travel.

III. Employees/other staff

Employees are entitled to both fixed and variable remuneration. For the fixed remuneration, the employees will be entitled to an annual remuneration paid in 13 instalments as may be approved by the Board of Directors. The fixed remuneration will include any statutory contributions (such as social insurance) by the employee.

The variable remuneration will be based on the individual performance of each employee and the Company's performance.

IV. Performance-based remuneration

It is intended to motivate and reward high performers who strengthen long-term customer relations and generate income and shareholder value. Performance is assessed using a set of both qualitative and quantitative criteria that differ according to the position and responsibilities of the employee concerned. The performance-based remuneration will be given should the Company's performance is deemed satisfactory from the shareholders or their representatives.

V. Medical Insurance

Full reimbursement of the Staff's personal medical insurance will be given should the Company's performance is deemed satisfactory to the shareholders or their representatives.

VI. Mileage allowance

The mileage allowance for domestic business travel is variable and discretionary and is calculated at 35 cents per kilometre.

VII. Overseas Business Travel Allowance

The employee shall make overseas business trips from time to time, as directed by the Employer when required in connection to the performance of his/her obligations. In the event of overseas business travel, the employee will be entitled to a full business travel reimbursement, within a reasonable range, which may include:

- Accommodation
- Transport
- Leisure Activities
- Food & Beverages

VIII. Trainings/Seminars

All staff of the Company, including the Members of the Board will be reimbursed or prepaid to the provider directly for any trainings and or seminars that are directly related to the Company's operations.

IX. Other individual benefits

Other individual benefits may be awarded to individuals on a case by case basis.
