

POLITICS
ABOUT REWARDS AND INCENTIVES
UNDER ART. 18 OF ORDER No. 50 ON THE CAPITAL ADEQUACY AND
LIQUIDITY OF INVESTMENT INTERMEDIARIES AND
REGULATION No. 2017/565

I. GENERAL

Art. 1. (1) The remuneration policy aims to create a general framework for managing remuneration in II "FACTORI" AD in all its forms such as salaries, material incentives including benefits related to retirement, for the following categories of personnel:

1. senior management staff;
2. employees whose activity is related to taking risks;
3. employees performing control functions, and
4. all employees whose remuneration is commensurate with the remuneration of employees under items 1 and 2 and whose activity has a significant impact on the risk profile of the investment intermediary.

(2) This policy has been prepared in accordance with the requirements of Section IV of Ordinance No. 50 on capital adequacy, liquidity of investment intermediaries and supervision of their compliance (Ordinance No. 50) and Art. 27 of Delegated Regulation No. 2017/565.

Art. 2. The remuneration policy corresponds to the nature, scale and complexity of the activity, the internal organization and the scope of the investment services and activities performed, applying the following principles:

1. ensuring reliable and effective risk management and not encouraging the assumption of risk that exceeds acceptable levels for the investment intermediary;
2. ensuring compliance with the strategy, goals, values and long-term interests of the investment intermediary and implementing measures to avoid conflicts of interest.

This Policy promotes responsible business behavior, fair treatment of customers, including when conflicts of interest arise.

Art. 3. (1) The amount of remuneration is indirectly affected by the basic principle of risk accounting and is tied to capital planning, liquidity and maintaining a stable capital base.

(2) The purpose of II "FACTORI" AD in the remuneration policy is to attract and retain highly qualified, motivated and quality employees.

(3) Fair and non-discriminatory treatment is a mandatory principle of the Remuneration Policy.

(4) In a dynamic environment and constantly changing labor markets, II "FACTORI" AD should offer competitive remuneration. Therefore, it is necessary to constantly monitor the conditions of the labor market in the financial sphere and adapt to its practices.

Art. 4 (1) . The remuneration policy also aims to ensure that the clients of the Investment Intermediary are treated correctly and the remuneration distributed in the intermediary does not damage their interests in the short, medium and long term.

(2) A basic principle in the adoption and implementation of this policy is to ensure the absence of conflicts of interest or incentives, as a result of which the relevant persons could prefer their own interests or the interests of the intermediary to the potential detriment of one or another client.

II. **REWARDS POLICY**

Art. 5 . The Board of Directors of FACTORI AD adopts this policy after consultation with the Compliance Unit. When developing it, the nature, scale and complexity of the intermediary's activity, the structure of its internal organization and the scope of the investment services and activities performed were taken into account.

III. TYPES OF FEES PAID BY THE INVESTMENT INTERMEDIARY

Art. 6. (1) Remuneration according to the current legal acts is divided into permanent and variable.

(2) Permanent remunerations are payments depending on the professional experience and functional responsibilities of the position, specified in the employee's job description as part of the terms of the employment contract or in the management contract, and corresponds to the objectives of the position, hierarchical level and other factors for providing a professional service defined by the job description or range of functions.

(3) Variable remunerations are additional payments or incentives tied to the permanent result of the activity and consistent with the risks assumed, as well as with the performance exceeding the requirements specified in the employee's job description as part of the terms of the employment contract or in the management contract.

Art. 7. (1) The variable remuneration is tied to the results of the activity, its total amount is determined as a combination of the evaluations of the results of the individual employee, of the relevant structural unit, as well as of the overall results of the investment intermediary. The evaluation of the results of each employee is based on financial and non-financial criteria.

(2) The assessments under para. 1 cover a period of several years, so that the evaluation process is based on the long-term performance of the activity and the payment of the elements of the variable remuneration based on the results is distributed over a period taking into account the economic cycle and the risks assumed by the investment intermediary.

(3) The assessment of the results of the activity used to calculate the variable elements of remuneration and their distribution includes an adjustment for all types of current and future risks and takes into account the cost of capital as well as the necessary liquidity.

(4) The variable remuneration is determined so that its total amount does not limit the investment intermediary's ability to maintain and improve its capital base.

Art. 8. Early termination benefits reflect performance over time and are set in such a way that failure or misconduct is not rewarded

Art. 9 (1) The Board of Directors of II "FACTORI" AD, in accordance with this Policy, **determines only permanent remuneration, which is individualized in the employment contracts and/or management contracts of the persons working for it. If a person is a party to a civil legal relationship, his remuneration is determined in the contract.**

Art. 10 (1) The investment intermediary does not pay or determine variable remuneration and does not provide for benefits related to retirement.

(2) If the management body of II "FACTORI" AD decides to distribute variable remuneration, the principle is applied that the permanent and variable components of remuneration are maintained in a constant balance, with a view to the structure of remuneration not favoring the interests of the investor an intermediary or its respective persons at the expense of the interests of one or another client.

Art. 11. Guaranteed variable remuneration is not compatible with prudent risk management or the principle of pay-for-results and is not included in future remuneration plans, therefore it is not perceived by the intermediary.

Art. 12. The PE does not benefit from extraordinary state aid.

Art. 13. (1) The employees performing control functions are independent of the functions in the investment intermediary over which they exercise control, have appropriate powers and receive remunerations commensurate with the degree of achievement of the objectives related to their functions, regardless of the results achieved from the structural units they control.

(2) The remuneration of the heads of the risk management unit (if one is formed by the IP) and the Regulatory Compliance unit is directly supervised by the remuneration committee. In the event that such a committee is not established, the supervision is carried out by the relevant control authority.

Art. 14. Employees of the investment firm are prohibited from using personal hedging or insurance strategies related to remuneration or liability in order to reduce the effect of the consideration of the risk inherent in their remuneration.

Art. 15. The ranges of permanent remuneration are updated annually on the basis of received market information about the expected changes in the remuneration of the labor market in the field of Investment intermediaries and are taken into account during the preparation of the budget.

IV. DISCLOSURE OF INFORMATION

Art. 16. (1) In connection with the remuneration policy, the PE makes public immediately after approval by the Board of Directors at least the following information about those categories of personnel whose professional activities have a significant impact on the risk profile of the PE:

(a) information on the decision-making process used to set the remuneration policy and the number of meetings held by the principal body that oversees remuneration during the financial year, including — if applicable — information on the external consultant whose services are used to determine remuneration policy and the role of relevant stakeholders;

b) information regarding the relationship between pay and the results achieved - as of the date of approval of these rules, such is not foreseen;

c) aggregated quantitative information on remuneration, differentiated by types of activity;

(d) summary quantitative information on remuneration, differentiated separately for senior management and for employees whose activities have a material impact on the institution's risk profile, specifying the following:

- i) the amount of remuneration for the financial year and the number of recipients;
- ii) the amounts of unpaid deferred remuneration, divided into those already received and those yet to be received - as of the date of approval of these rules, such are not foreseen;
- iii) the employment benefits and severance benefits paid during the financial year and the number of recipients of such payments;
- iv) the amounts of severance benefits awarded during the financial year, the number of recipients of such benefits and the highest amount of such benefits awarded to any individual.

e) at the request of the Financial Supervision Commission — the total remuneration of each member of the management body or of the senior management.

(2) The investment intermediary complies with the guidelines of the EBA, adopted by the Financial Supervision Commission for the conduct of reasonable remuneration policies, consistent with the principles laid down in the current legal acts.

V. POLICY REGARDING INCENTIVES, REWARDS, COMMISSIONS AND NON-MONETARY BENEFITS RECEIVED BY THE INVESTMENT INTERMEDIARY

This section is adopted on the basis of Art. 11 of Delegated Directive (EU) No. 2017/593 regarding the protection of financial instruments and cash belonging to clients, product management obligations and rules applicable to the provision or receipt of fees, commissions or other monetary or non-monetary benefits.

Art. 17. The investment intermediary, in cases where he pays or receives fees or commissions, or provides or receives non-monetary benefits in connection with the provision of an investment service or additional service to the client, is obliged at all times to fulfill the conditions defined in art. 73, para. 1 of the MFPA (Article 24, paragraph 9 of Directive 2014/65/EU).

Art. 18. (1) The fee, commission or non-monetary benefit collected from the client of the IP is considered to be intended to increase the quality of the relevant service for the client, if all the following conditions are met:

a) it is justified by the provision of an additional service or service at a higher level to the respective customer, in proportion to the level of incentives received, such as:

i) provision of investment advice, which is not independent, on a wide range of relevant financial instruments, as well as access to the same range of instruments, including an appropriate number of instruments from third-party product providers not closely related to the investment intermediary,

ii) providing investment advice that is not independent, together with an offer to the client, at least on an annual basis, to assess whether the financial instruments in which the client has invested continue to be suitable, or with another ongoing service, which is likely to be of value to the client, such as advice on a possible optimal allocation of the client's assets, or

iii) providing competitively priced access to a wide range of financial instruments likely to meet the client's needs, including an appropriate number of instruments from third-party product providers not closely linked to the investment intermediary, together with providing instruments with added value, such as tools for objective information, helping the relevant clients in making investment decisions or enabling the relevant client to monitor, model and adjust the scope of the financial instruments in which the investment is made, or by providing periodic reports about the profitability of financial instruments and related costs and fees;

b) it does not directly benefit the receiving company, its shareholders or employees, without substantial benefit for the respective client;

c) it is justified by the provision of a current benefit to the relevant customer in relation to a current incentive.

(2) The fee, commission or non-monetary benefit is not considered acceptable if the provision of the respective services to the customer is biased or impaired as a result of the fee, commission or non-monetary benefit.

Art. 19. (1) The investment intermediary is obliged to fulfill the requirements specified in art. 18 requirements continuously while continuing to pay or receive the fee, commission or non-monetary benefit.

Art. 20. (1) The investment intermediary keeps evidence that all fees, commissions or non-monetary benefits paid or received by the intermediary are intended to increase the quality of the relevant service for the client:

a) by maintaining an internal list of all fees, commissions or non-monetary benefits received by the investment intermediary from a third party in connection with the provision of investment or additional services; and

b) by recording how the fees, commissions or non-monetary benefits paid or received by the investment intermediary, or those that the investment intermediary intends to use, increase the quality of the services provided to the relevant clients, as well as the measures taken to ensure that the obligation is not violated of the intermediary to act honestly, correctly and professionally according to the best interest of the client.

Art. 21. (1) In relation to any payment or any benefit received from or paid to third parties, the Investment Intermediary shall disclose to the client the following information:

a) before providing the relevant investment or additional service, the investment intermediary discloses to the client information about the payment or benefit in question in accordance with Art. 73, para. 1, item 1, b. "b" of the MFPA (Article 24, paragraph 9, second paragraph of Directive 2014/65/EU).

Minor non-monetary benefits may be described more generally. Other non-monetary benefits received or paid by the investment intermediary in connection with the investment service provided to the client are valued and disclosed separately.

b) where the investment intermediary has failed to establish in advance the amount of any payment or any benefit to be received or paid, but has instead disclosed to the client the method of calculating the amount, the intermediary shall also provide its clients with subsequent information on the exact amount of the payment, or benefits received or paid; and

c) at least once a year, while the investment intermediary receives (ongoing) incentives in connection with the investment services provided to the relevant clients, the investment intermediary informs its clients individually about the actual amount of payments or benefits that have been received or paid. Minor non-monetary benefits may be described more generally.

When fulfilling the above requirements, the IP takes into account the rules for costs and fees, defined in Art. 71, para. 5 and 6 of the MFPA (Article 24, paragraph 4, letter "c" of Directive 2014/65/EU) and in Article 50 of Delegated Regulation (EU) No. 2017/565.

(2) When several intermediaries participate in a distribution channel, each investment intermediary that provides an investment or additional service fulfills its obligations to make disclosures to its clients.

VI. INCENTIVES REGARDING INDEPENDENTLY PROVIDED INVESTMENT ADVICE OR PORTFOLIO MANAGEMENT SERVICES

This section is adopted on the basis of Art. 12 of Delegated Directive (EU) No. 2017/593.

Art. 22. (1) The investment intermediary, in cases where it provides investment advice in an independent manner or portfolio management, returns to clients all fees, commissions or monetary benefits paid or provided by a third party or a person acting on behalf of a third party, in connection with the services provided to that customer as soon as reasonably practicable after receipt thereof.

(2) All fees, commissions or monetary benefits received from third parties in connection with the provision of independent investment advice or portfolio management shall be transferred in full to the client.

(3) The investment intermediary implements a policy to ensure that all fees, commissions or monetary benefits paid or provided by a third party or a person acting on behalf of a third party in connection with the provision of independent investment advice and portfolio management, are allocated and transferred to each individual customer.

(4) The investment intermediary informs the clients about the fees, commissions or monetary benefits that have been transferred to them, for example through periodic reports provided to the client.

(5) The investment intermediary, in cases where he provides investment advice in an independent manner or manages a portfolio, has no right to accept non-monetary benefits that do not meet the conditions of acceptable minor non-monetary benefits in accordance with Art. 23.

Art. 23. (1) The following benefits meet the conditions for **acceptable minor non-monetary benefits** only if they represent:

a) information or documentation relating to a financial instrument or investment service that is general in nature or customized to reflect the circumstances of an individual client;

b) written materials from a third party which have been ordered and paid for by a corporate issuer or potential issuer to promote a new issue of the company, or where the third party company has been contracted and paid by the issuer to produce such materials on an ongoing basis, provided that the relationship is clearly disclosed in the materials and that the materials are made available simultaneously to all investment firms wishing to receive them or to the general public;

c) participation in conferences, seminars and other training events regarding the benefits and characteristics of a specific financial instrument or investment service;

d) representative expenses of a reasonable de minimis value, for example for food and beverages at a business meeting or conference, seminar or other training events referred to in letter c); and

(e) other minor non-monetary benefits which a Member State considers may increase the quality of service provided to a customer and, given the overall level of benefits provided by an entity or group of entities, are of a size and nature that are unlikely prevent an investment intermediary from fulfilling its obligation to act in the best interest of the client.

(2) Acceptable minor non-monetary benefits are reasonable and proportionate and of an amount where they are unlikely to influence the behavior of the investment intermediary in any way that harms the interests of the client concerned.

(3) The disclosure of the insignificant non-monetary benefits is carried out before providing the clients with the relevant investment or additional services. In accordance with Article 21, para. 1, letter "a", insignificant non-monetary benefits can be described in a general way.

VII. RESEARCH INCENTIVES POLICY

This section is adopted on the basis of Art. 13, para. 8 of Delegated Directive (EU) No. 2017/593.

The rules under this section are provided to the clients of the investment intermediary.

Art. 24. (1) The provision of research by third parties to an IP providing portfolio management or other investment or ancillary services to a client is not considered an incentive if it is received in exchange for any of the following:

a) direct payments from the investment intermediary's own resources;

b) payments from a separate research payment account controlled by the investment intermediary, provided that the following conditions affecting the management of the account are met:

i) the survey payment account is funded by a special survey fee charged to the customer. The special research fee is: a) a fee that is based solely on a research budget determined by the investment intermediary for the purpose of establishing the need for third-party research in relation to the investment services provided to its clients; and b) is not related to the volume and/or value of transactions carried out on behalf of clients.

ii) as part of establishing a research payment account and agreeing the research fee with their clients, investment firms shall determine and regularly evaluate the research budget as an internal administrative measure,

iii) the investment intermediary is responsible for the research payment account,

iv) the investment intermediary shall regularly assess the quality of purchased studies based on solid quality criteria and their ability to contribute to better investment decisions.

(2) When an investment intermediary uses the payment account for research under para. 1, b. "b", it provides the following information to customers:

a) before the provision of an investment service to clients — information about the budgeted research amount and the amount of the approximate research fee for each of them,

(b) annual information on the total expenditure incurred by each of them on third-party studies.

(3) When the investment intermediary manages an account for payment for research, it is obliged, upon request by a client or the FSC or other competent authorities, according to the applicable legislation, to provide a summary of the suppliers to whom payment has been made from this account, the total amount paid to them during a period, the benefits and services received from the investment intermediary and how the total amount spent from the account compares to the budget set by the intermediary for that period, noting any discounts or carryovers if there are funds left in the account.

Art. 25. (1) Any agreement on the collection of the survey fee from the clients, when this fee is not collected separately, but together with the commission for the transaction, should indicate a clearly distinguishable survey fee and fully comply with the conditions of Art. 24, para. 1, b. "b" and Art. 24, para. 2.

(2) The total amount of research fees received may not exceed the research budget.

Art. 26. (1) The investment intermediary shall agree with the clients, in the investment management contract or in the general terms and conditions, the survey fee as provided for in

the intermediary's budget and the frequency with which the specific survey fee will be deducted from the client's resources during the year.

(2) The research budget shall be increased only after clear information about the intended increase has been provided to the clients. If at the end of the period there is a surplus in the research payment account, the intermediary should implement a procedure for returning these funds to the client or deducting them from the research budget and the fee calculated for the next period.

In its relations with clients, when such a hypothesis arises, the investment intermediary prefers the principle of interception rather than return, unless the client expressly requests a return in writing.

(3) The research budget is managed solely by the investment intermediary and is based on a reasonable assessment of the need for research by a third party.

(4) The allocation of the research budget for the purchase of third-party research is subject to appropriate control by senior management to ensure that it is managed and used in the best interests of the intermediary's clients.

The control under this paragraph includes a clear audit trail of the payments made to the research providers and the way of determining the paid amounts in relation to the quality criteria specified in Art. 24, para. 1, letter (b), subparagraph iv.

(5) The investment intermediary is not entitled to use the research budget and research payment account to finance internal research.

Art. 26. (1) For the purposes of Art. 24, para. 1(b)(iii) the investment firm may delegate management of the research payment account to a third party, provided that such arrangement facilitates the purchase of research from the third party and the payments to research providers on behalf of the investment firm, without to cause unreasonable delay in accordance with the instruction of the investment intermediary.

Art. 27. (1) The investment intermediary performs an annual evaluation of the purchased surveys. The evaluation criteria are as follows:

1. Quality criteria:

a) to add value to investment or trading decisions by providing new insights that inform the investment manager (investment consultant) in making such decisions regarding client portfolios;

b) whatever the form of inquiry, it should essentially present original thought, in the critical and careful examination and evaluation of new and existing facts, and should not simply repeat or repackage information that has been presented before it;

(c) have intellectual rigor and must not simply state what is commonplace or obvious or a notorious fact; and

d) presents the investment manager with significant conclusions based on the analysis or processing of the data.

e) overall research contributes to better investment decisions on the part of the investment intermediary.

(2) The extent to which research purchased through the research payment account may benefit clients' portfolios should not be disproportionate to the cost of the research, should not result in a conflict of interest, and should not induce portfolio managers to base their decisions only on purchased surveys. A specific percentage ratio of benefit may be determined in the contract with the client, depending on the type of client, the type of portfolio management, the type of operations and instruments included in the management, the term of management, the risk profile and other criteria determined by the parties or applicable legislation .

(3) The investment intermediary does not allow cross-subsidization in its practice. A client who has agreed to pay for research and the results of which affect the results of the portfolio managed for his own account and risk is not allowed to subsidize and apply the research and the management model to a portfolio of a client who is not consented to pay for a study.

(4) In practice, the investment intermediary applies the principle of equality and distributes costs between clients who have paid for research, in cases where these clients use the same services, have similar investment goals, risk profiles and categorization. Favoring one client

over another, in a way that results in one client paying for the study and benefiting from it to other clients who did not pay for the study, is not allowed.

(5) In the cases where the investment intermediary provides execution services, it sets separate fees for these services, which reflect only the costs of carrying out the transaction. The provision of any other benefit or service by the investment intermediary to other investment intermediaries established in the EU is subject to a distinguishable fee. The provision of these benefits or services and the fees for them are not affected or determined by the levels of payments for performance services.

VIII. ASSESSMENT OF THE ADEQUACY OF THE POLICY

Art. 28 (1) The remuneration and incentives policy was adopted by the Board of Directors of FAKTORI AD. The Board of Directors periodically reviews at least once a year the basic principles of this Policy and is responsible for its implementation.

(2) The review and update under the first paragraph shall be carried out by December 31 and shall be presented to the General Assembly with the activity report.

(3) The Compliance Department reviews the implementation of the Remuneration and Incentives Policy at least once a year. If a need for changes and corrections is found, the head of the department prepares a statement to the Board of Directors before the expiration of the period under paragraph 2.

VI. ADDITIONAL PROVISIONS

1. "Remuneration" in the sense of this Policy and Regulation No. 2017/565 is "any type of financial or non-financial benefits or payments provided directly or indirectly by the investment intermediary to the relevant persons in the provision of investment or additional services for clients, such as sums of money , shares, options, severance pay, pension contributions, remuneration from third parties, for example through profit-sharing schemes, salary increases or promotions, health insurance, discounts or special allowances, generous spending limits or seminars in exotic destinations.'

VII. FINAL PROVISIONS

§1. When problems are identified in the practice of the IP, the overcoming of which requires an amendment or supplement to this Policy, the Board of Directors of the IP makes the appropriate corrections.

§2. The Board of Directors of the IP may issue orders and instructions on the implementation of this Policy.

§3. This policy is made available for the information and enforcement of IP's employees and relevant persons, and certain sections of it to IP's customers.

§4. The policy was adopted by the Board of Directors of FACTORI AD with a decision at a meeting dated 02.05.2018.