



DEPAHO LIMITED

REMUNERATION POLICY

1. INTRODUCTION

1. Depaho Ltd (hereinafter the “**Company**”) is authorized and regulated in the Republic of Cyprus by the Cyprus Securities and Exchange Commission (hereinafter referred to as “**CySEC**”) to act as a Cyprus Investment Firm (hereinafter referred to as “**CIF**”) with CIF Licence Number 161/11, under the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) (hereinafter referred to as “**the Law**”), as amended from time to time, and subject to CySEC Rules.
2. The Company, as a regulated investment firm is governed by the European Markets in Financial Instruments Directive 2014/65/EU (hereinafter referred to as the “**MiFID II**”) which provides a harmonized regulatory environment for investment services across the European Economic Area (EEA).
3. The Company ensures that it takes all reasonable steps to identify and mitigate the conflict of interest situations between itself and its related persons, and whose existence may damage the interests of a client evolving from remuneration and compensation practices of the Company during the course of the provision of its services.
4. The Policy is approved by the Board of Directors (hereinafter referred to as “**the Board**”), after consulting with the Compliance function of the Company and implemented by appropriate functions through internal policies and practices so as to promote corporate governance and compliance with requirements of applicable legislation and directives.

2. LEGAL FRAMEWORK

Law 87(I)/2007: regarding the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters;

Directive DI144-2007-14: regarding the capital requirements of investment firms (hereinafter referred to as “**the Directive**”);

Circular C031 (Guidelines GD-IF-07): Guidelines on remuneration policies and practices;

Circular C138: Remuneration policies and practices;

Circular C145: Clarifications for Circular C138-Remuneration policies and practices;

ESMA Questions and Answers: Relating to the provision of CFDs and other speculative products to retail investors under MiFID;

ESMA Guidelines: Remuneration Policies and Practices (MiFID).

3. REMUNERATION COMMITTEE

1. According to the Directive DI144-2014-14, CIFs which are significant in terms of size, internal organisation and the nature, the scope and the complexity of their activities, must establish a remuneration committee. The Company does not fall under the definition of ‘Significant CIF’ which derives from the Circular C228 regarding the definition of ‘Significant CIF’. Therefore, the Company currently does not maintain a Remuneration Committee. It is highlighted that in case the Company will meet any of the criteria which will consider it as significant, the Board will proceed with the establishment of such a Committee in accordance with the applicable legal framework.

4. RESPONSIBILITIES OF THE RISK COMMITTEE

1. The Risk Committee is responsible for examining whether the remuneration policies and practices take into account the risk, capital, liquidity and the likelihood and timing of earnings.

5. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. The Company's Board is responsible for the approval, implementation and periodic review of the remuneration policy's general principles. The Board is further responsible for dealing with any queries that may arise in relation to the remuneration policy and its adoption.
2. The Board is responsible for approving and overseeing the remuneration of the highest paid staff and is obliged to approve the remuneration of the management, risk manager, compliance officer and internal audit function.

6. RESPONSIBILITIES OF THE COMPLIANCE FUNCTION

1. The Compliance Function shall be involved in the design process of the remuneration policies and practices before these are approved and implemented to the relevant persons. In order to control the design of remuneration policies and practices and the approval process for these, the compliance function should verify that the Company complies with the conduct of business and conflicts of interest requirements under the Law, and should have access to all relevant documents.
2. The Compliance Function will be involved in the review process of this policy as well as in its periodic assessment.

7. PURPOSE OF THE POLICY

1. The purpose of the Remuneration Policy (hereinafter referred to as **"the Policy"**) is to strengthen client's protection by improving the implementation of the conflicts of interest and conduct of business requirements under the Law in the area of remuneration and improving the services provided by the Company.
2. Furthermore, this present Policy is to ensure compliance with the conflict of interest requirements set out in Section 17(3) (a) and 24 of the Law.
3. In addition to the above, the purpose of the Policy is also to ensure the compliance with the conduct of business rules set out in Section 25 of the Law.
4. The Policy benefits from the full support of Senior Management and supervisory functions in order to ensure the compliance with the conflicts of interest and conduct of business policies and procedures.

8. REMUNERATION

1. All managers, employees, tied agents, branches or other relevant persons as well as any person directly or indirectly linked to the Company by control (hereinafter referred to as **"Engaged Persons"**) are covered by the Policy including any person who can have a material impact on the services provided, on the conduct of business risk profile, and who can influence corporate behaviour. This includes but is not limited to:
 - a) Client-facing front-office staff;
 - b) Sales force staff;
 - c) Complaint's Handling Staff;
 - d) Claim Processing Staff;

- e) Retention of clients Staff;
 - f) Product Design and Development Staff; and/or
 - g) Other staff indirectly involved in the provision of investment, ancillary or support services whose remuneration may create inappropriate incentives to act against the best interests of the clients.
2. Remuneration is decided by the Senior Management body that controls the business and is reviewed by the Board at such intervals as it shall be decided at the Company's sole discretion after taking into account the advice from the Compliance Function.
 3. The Company's remuneration consists of a fixed component and under certain conditions a combination of a fixed and a variable component.
 4. The Company's remuneration schemes are based on an environment of adequate controls and a thorough segregation of duties that potential variable component payments should not give rise to conflicts of interest nor induce undue risk taking.

8.1 Fixed Remuneration

1. Fixed remuneration varies for different positions/roles depending on the positions' requirements and consideration of educational background, experience, accountability and responsibility needed for an employee to perform each position/role requirements.
The minimum amount of remuneration defined by applicable Employment Law is taken under consideration in defining the remuneration of each employee and is at the Company's sole discretion to pay the employee salary above the minimum amount taking into consideration also standard market practices.
The Fixed Remuneration represents a sufficient high proportion of the total remuneration, in order to provide the possibility to pay no variable remuneration.

8.2 Variable Remuneration

1. A Variable remuneration component, when granted, always co-exists as an additional money companion on top of a base salary.
The Company does not provide 100% variable salary to any of its Engaged Persons.
The Company aligns variable remuneration and uses best practice principles under the following headings:
 1. Governance;
 2. Use of quality measures in a balanced blend with quantitative criteria;
 3. Performance appraisal;
 4. Monitoring and quality controls of Engaged Persons receiving variable remuneration;
 5. Granting penalties / deterrents;
 6. Managing Conflicts of Interest and risky components of incentive schemes.

When remunerating on variable basis, the Company ensures that the composition of such remuneration arrangement focuses on encouraging the right culture and behaviours of its employees, while actively discouraging poor practices.

The Company works towards shifting the focus away from setting and driving incentives based on variable remuneration and tries to focus on quality of service, regulatory issues and development.

2. Remuneration consists of all forms of payments or benefits provided directly or indirectly by the Company to relevant persons in the provision of investment and/or ancillary services to clients. It can be either financial (such as cash, shares, options, cancellations of loans to relevant persons at dismissal, pension contributions, remuneration by third parties e.g. through carried interest models, wage increases) or non-financial benefits in kind (such as career progression, health insurance, discounts or special allowances for car or mobile phone, generous expense accounts, seminars in exotic destinations, etc.).
3. In deciding remuneration standards, the Company ensures that the ratio between fixed and variable components of the remuneration is appropriate, taking into account the best interests of its clients.
4. The total variable remuneration does not limit the ability of the Company to strengthen its capital base.
5. The assessment of the performance is set in a multi-year framework.
6. The variable remuneration does not exceed the 100% of the fixed remuneration of the annual gross salary of each employee.

8.3 Variable Remuneration up to 200% of the Fixed Remuneration

1. As a general rule the Company does not provide variable remuneration that exceeds 100% of the fixed remuneration of the annual gross salary provided to each employee. However, as an exception to the rule the Shareholders of the Company have the authority to approve a higher variable remuneration provided that the overall level of the variable remuneration does not exceed 200% of the fixed remuneration of the annual gross salary of each employee and provided that the following procedure is followed:
 - a) The Shareholders must act upon a detailed recommendation by the Company giving reasons for, and the scope of, an approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;
 - b) Shareholders must act by a majority of at least 66% provided that at least 50% of the shares or equivalent ownership rights are represented or, failing that, must act by majority 75% of the ownership rights represented;
 - c) The Company must notify the Shareholders in advance of its intention to obtain an approval to offer variable remuneration up to 200% of the fixed remuneration;
 - d) The Company must, without delay inform CySEC of the recommendation to its Shareholders, including the proposed higher maximum ratio and the reasons therefore and must be able to demonstrate to the CySEC that the proposed higher variable remuneration does not conflict with the Company's obligation under the Directive and under Regulation (EU) No 575/2013, having regard in particular to the Company's own funds obligations;
 - e) The Company must, without delay, inform CySEC of the decisions taken by its shareholders, including any approved higher maximum ratio;
 - f) Staff who are directly concerned by the higher maximum levels of variable remuneration must not, where applicable, be allowed to exercise, directly or indirectly, any voting rights they may have as shareholders.

8.4 Guaranteed variable remuneration

1. Guaranteed variable remuneration is defined as any remuneration which falls outside the definition of fixed and variable remuneration which is granted instead of, in addition to or as part of variable remuneration.
2. 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. Guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the Company has a sound and strong capital base and is limited to the first year of employment.

9. REMUNERATION PRINCIPLES

1. The following principles apply to the Company to the extent that is appropriate to the size, internal organization and the nature, the scope and the complexity of the Company's activities:
 - a) Senior Management body, in its supervisory function of the Company, adopts and periodically reviews the general principles of the Policy and is responsible for its implementation;
 - b) Engaged Persons in control functions are 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;
 - c) The remuneration of the senior officers in the risk management and compliance functions is directly overseen by the senior management body in its supervisory function and reviewed by the Board;
 - d) The assessment of the performance is set on a sufficient period framework in order to ensure 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 Company and its business risks;

10. OTHER REMUNERATION PRINCIPLES

Payments Related to Early Termination

1. The Company must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

Payments Related to Compensation or Buy out from Contracts

2. Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the Company including retention, deferral, performance and claw back arrangements.

11. CONFLICTS OF INTEREST

1. The Company when designing remuneration policies and practises identifies the types of remunerations that may entail conflicts of interest and takes reasonable measures to prevent them unless it is able to manage the conflicts in an objective and demonstrable manner. The

remuneration policies and practices are designed in a way that prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of their clients.

2. The Policy of the Company has been designed in such a way so as to avoid incentives that may lead persons to favour their own interests, or Company's interests, to the potential detriment of clients.
3. When assessing the conflicts of interest arising from the use of service providers that perform activities on behalf of the Company offering CFDs or other speculative products to retail clients, the Company should consider, inter alia, the following aspects:
 - a. How the Company establishes, implements and maintains an effective conflicts of interest policy that takes into account its relationships with other parties. Where activities and functions are outsourced to another member of the same group, the Company's conflicts of interest policy should also take into account conflicts of interest arising from such intragroup arrangements, in particular given the link between the commercial interests of the firm and the other entities in the group that it is part of.
 - b. Whether the remuneration arrangements in place between the Company and other parties are in compliance with the Company's conflicts of interest policy, to ensure that such arrangements do not impair the Company's duty to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients. In particular, the Company should consider whether it should be required to restructure its remuneration agreements with other parties to avoid or better manage any conflicts of interest presented by such agreements. The Company is not permitted to over-rely on disclosure without adequate consideration as to how a conflict of interest may be appropriately managed.

12. REMUNERATION OF EXECUTIVE DIRECTORS

1. The remuneration of the Executive Directors ensures the Company's continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning. The remuneration of the Executive Board is assessed annually and developments in market practice are assessed systematically.
2. The remuneration of the Executive Directors consists of a fixed pay. The performance of Executive Directors is assessed once a year. The Annual Report specifies the Executive Directors remuneration.

13. REMUNERATION OF THE BOARD OF DIRECTORS

1. Members of the Board receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of board meetings. No pension contributions are payable on Board members' fees. The amount of payment to Independent Non-Executive Directors is controlled so as not to potentially create incentives for the compromise of independence.
2. The Board may deviate from this policy in individual cases if justified by extraordinary circumstances.

14. REMUNERATION OF RISK TAKERS AND EMPLOYEES IN CONTROL FUNCTIONS

1. The remuneration of material risk takers and Engaged Persons in control functions (including Internal Audit, Compliance, Finance and Risk Management) is subject to strict conditions.

Once a year, the Board identifies employees who may take material risks on behalf of the Company and ensures that employees in these functions receive competitive remuneration.

2. The definition of risk takers in a company must be based on a thorough assessment of roles, responsibilities and actual mandates of positions that could be included as risk taker positions by the intention of the new legal framework, as well as a sound assessment of risk under the specific characteristics of Company's business. Special attention must be paid to mandates in relation to financial instruments, investment of company funds, trading mandates, control and compliance functions and senior managerial responsibilities. In the process of defining Company risk takers relevant stakeholders and specialists must be involved e.g.: external legal advisors, risk management, internal legal experts, senior management and business expertise from all relevant business units.

15. DISCLOSURES

1. The Company may disclose information, regarding its Policy and practices for those categories of staff whose professional activities have a material impact on its risk profile. In such a case the Company may disclose at least the information mentioned in Article 450 of the Regulation (EU) No 575/2013.

16. EXAMPLES OF REMUNERATION SCHEMES THAT CREATE CONFLICTS OF INTEREST

1. Remunerations as a percentage of the total volume of transactions, or the value of transactions, or the value of clients' deposits.
2. Remuneration based on retention of clients e.g. based on a predefined percentage of cancellation of withdrawal requests that an employee manages to achieve.
3. Remunerations based on the number of potential clients who have actually become clients.
4. Remunerations as a percentage of the net revenue accruing to the CIF in respect to clients' transactions (closed P&L of clients).
5. Fixed remunerations based on the number of new clients attracted.
6. Offering advisers specific additional remuneration to encourage clients to apply for new fund products in which the Company has a specific interest. This often involves the relevant person having to suggest that their clients sell products that they would otherwise recommend they retain so they can invest in these new products.
7. Managers and employees receive a large bonus linked to a specific product. As a result, the Company sells this specific product irrespective of the suitability of this product for the clients addressed. Warnings from the Risk Manager are ignored because the investment products generate high returns for the Company. When the risks that had been identified occur, the products have already been sold and the bonuses have already been paid out.
8. The variable component of the total remuneration is based only on volumes sold, and increases the relevant person's focus on short-term gains rather than the client's best interest.
9. Relevant persons rather than considering the appropriateness of a product for a client, focus on the sale of products that have a short investment term in order to earn remuneration from re-investing the product after the short term.
10. The Relevant Persons 'employees responsible for providing marketing activities on behalf of the Company, which are remunerated by the Company based only on the sales or trading volumes of the Company. In this case, the Relevant Persons' employees may be incentivised to act in a manner that is not necessarily in the best interests of retail clients, for example by pursuing more aggressive marketing strategies. This is of particular relevance given that the speculative nature of CFDs and other similar products means they may not be appropriate for the mass retail market.

11. The Relevant Persons' employees responsible for the on-boarding activity, including the gathering and provision of information relevant for the assessment of appropriateness is remunerated based only on the volumes of new clients' on-boarded either variable or fixed. In this case, the Relevant Persons' employees may be incentivised to act in a manner that is not in the best interests of clients in order to maximise the numbers of new client accounts. This is especially important given that CFDs and other speculative products are complex products that may not be appropriate for a majority of retail clients.
12. The Company is acting as the clients trading counterparty and operates a CFD trading platform for retail clients that was developed and is maintained by a specialist IT Service Provider. If the IT service provider is remunerated based on the trading revenue or the profit and losses of the CFD trading platform, it may be incentivised to develop a platform that processes trades in a manner that maximises the profit of the firm, even where this is to the detriment of the interests of the firm's clients.
13. The Company engages a specialist financial education provider to provide online training for its clients and potential clients on how to use market data when deciding how to trade in CFDs or other speculative products. The education provider is remunerated by the Company based on the volume of clients who received the online training and who subsequently trade CFDs or other speculative products with the Company. In this case, the education provider may be incentivised to act in a manner that is not in the best interests of clients in order to maximise the number of clients transacting in CFDs or other speculative products.
14. Incentives that might influence Relevant Persons' to sell or push one product or category of product rather than another or to make unnecessary/ unsuitable acquisitions or sales for the investors;
15. Conditions that need to be met before an incentive will be paid may influence Relevant Persons' to act inappropriately (i.e. no bonus can be earned on sales unless a minimum target is met for each of several different products types;
16. A reduction is made to a bonus or incentive payment earned because of a secondary target or threshold has not been met;
17. Variable salaries where the arrangements vary base pay for relevant persons based on performance against sales targets in which cases the relevant person's entire salary can become in effect- variable;
18. Remuneration Policies and practices which create a disproportionate return for marginal sales; where relevant persons need to achieve a minimum level of sales before incentives payments can be earned or incentives are increased, the risk is increased.
19. Schemes that include "accelerators" where crossing a threshold increases the proportion of bonus earned.
20. Incentives payable retrospectively based on all sales rather than just those above a threshold, potentially creating significant incentives for relevant persons to sell particular products in particular circumstances.
21. Remuneration directly link to the sale of specific financial instruments or of a specific category of financial instrument it is unlikely that the Company can demonstrate compliance with the MiFID II conduct of business or conflict of interest requirements

17. EXAMPLES OF GOOD REMUNERATION PRACTICES

1. Variable Remuneration paid out to be calculated and awarded on a linear basis rather than being dependent on meeting on "all or nothing" target.
2. Variable remuneration to be based more on qualitative criteria and more closely reflect the desired conduct of the employees to act in the best interest of the clients;
3. References used in the calculation of variable remuneration of relevant persons are common across products sold and include qualitative criteria;

4. Payment of variable remuneration based on the final return of the product for the client;
5. Employees are paid in relation to both volume of products sold and effective return of these products for the client over an appropriate timeframe.

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