

REMUNERATION POLICY

RED MARS CAPITAL LTD.

CIF Licence No. 396/21

(Regulated by the Cyprus Securities & Exchange Commission)

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1. Introduction

Red Mars Capital Ltd. (hereinafter, the “**Company**”) has established a Remuneration Policy (hereinafter, the “**Policy**”) in accordance with and adhering to the following regulatory framework:

- a) EBA`s Guidelines EBA/GL/2015/22 on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU
- b) Sections 17(3)(a) and 24 of the Investment Services and Activities and Regulated Markets Law 87(I)/2017, as amended, (hereinafter the “**Law**”) in relation to Organizational requirements and Conflicts of Interests;
- c) Section 25(1) & 26 of the Law in relation to the Conduct of Business Rules;
- d) Paragraphs 20-23 of CySEC`s Directive DI144-2014-14 (hereinafter the “**Directive**”) for the Prudential Supervision of Investment Firms in relation to the Variable Elements of Remuneration;
- e) CySEC Circular C031 concerning the Guidelines on Remuneration Policies and Practices (hereinafter the “**C031**”);
- f) CySEC Circular C138 concerning the Remuneration Policies and Practices (hereinafter the “**C138**”);
- g) CySEC Circular C240 – EBA Guidelines on sound Remuneration Policies concerning the (hereinafter the “**C240**”);
- h) CySEC Circulars C546, C576 & C590 regarding prudential and remuneration reporting of CIFs;
- i) The questions and answers 2 and 3 of Chapter 2 of ESMA/2016/904 (hereinafter the “**ESMA Q&A**”) relating to the provision of CFDs and other speculative products to retail investors under MiFIDII.

The purpose of this Policy is to set out the remuneration practices of the Company. Remuneration means 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 (hereinafter the “**Remuneration**”).

The Company`s Remuneration includes:

- a. financial Remuneration (i.e. cash, wage increases), and/or
- b. non-financial Remuneration (i.e. career progression, seminars, Company`s events, etc.).

Relevant Persons (hereinafter the “**Relevant Persons**”) means the persons, who can have a material impact on the service provided and/or corporate behaviour of the firm, including persons, who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved in the provision of investment and/or ancillary services, whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons, who oversee the sales force (such as line managers), who may be incentivised to pressurise sales staff, or financial analysts, whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development are other examples of relevant persons. Relevant persons also include tied agents of the firm.

This Policy is approved by the Company’s Board of Directors (hereinafter the “**Board**”), after taking advice from the Compliance Function, and is implemented by appropriate functions to promote good corporate governance practices. The Board of Directors is responsible for the implementation of remuneration policies and practices and for preventing, dealing with and mitigating any relevant risks that Remuneration Policy and practices can create.

Finally, this Policy adopts and maintains measures enabling the Senior Management and relevant supervisory functions to effectively identify and act, where Remuneration may incentivize a Relevant Person to act contrary to the best interest of clients.

2. Scope and Applicability

The Policy applies to Relevant Persons, including:

- senior management, risk takers, staff engaged in control functions and any employee receiving total Remuneration, which takes them into the same remuneration bracket as senior management, risk takers whose professional activities have a material impact and whose remuneration may create inappropriate incentives to act against the best interests of the Company’s clients;
- non-executive members of the Board of Directors, the Heads of the Departments (i.e. key management personnel), as well as other persons, who oversee the sales force (if any) and customer support personnel, who may be incentivised to pressurize sales/customer support staff;
- specialist financial education providers (i.e. third-party service providers of online training to clients), and in general outsourcing service providers (under section 4 of C138);

The Policy aims to (i) provide for sufficient incentives, so as for the Relevant Persons, to achieve the business targets, (ii) deliver an appropriate link between reward and performance, whilst at the same time become a comprehensive, consistent and effective risk management tool, which

prevents excessive risk taking and /or mis selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long-run.

3. Procedures and Controls

The Company's Policy is in line with its business strategy, objectives, values and long-term interests and based on the applicable legislation, designed in such a way, as not to create incentives that may lead Relevant Persons to favour Company's interest or/and their own interest, and act against the best interest of the clients. It also incorporates measures to avoid and/or mitigate conflicts of interest situations (e.g. when Remuneration has a possible direct or indirect negative impact on clients' best interests) and to promote code of conduct and investor protection requirements as well as serve clients' best interests.

Furthermore, the Company will ensure, that it does not remunerate or assess the performance of its staff in a way, that conflicts with its duty to act in the best interests of its clients and it will not proceed with a kind of remuneration, which could provide an incentive to its staff to recommend a particular financial instrument or a service to a retail client, when the Company could offer a different financial instrument, which would better meet that client's needs.

Besides, the Policy considers the role performed by Relevant Persons, the type of products offered, and the methods of distribution as to prevent potential conduct of business and conflict of interest risks.

Moreover, the Policy is consistent with sound and effective risk management and intended to deter risk-taking beyond the Company's expressed risk appetite and risk tolerance levels. Further, staff engaged in control functions (Compliance Officer, Internal Auditor, Risk Manager, Money Laundering Compliance Officer) are only remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control (e.g. Marketing, Sales, Customer Support, etc.)

The Company ensures, that the organizational measures it adopts, regarding the launch of new products or services appropriately take into account the Policy and the risks, that these products and/or services may pose. In particular, before launching a new product, the Company assesses, whether the remuneration features, related to the distribution of that product, comply with the Company's Policy and therefore do not pose additional conduct of business, and conflicts of interest, risks.

The Compliance Function is involved a) in the design process of the Policy before it is applied to the Relevant Persons b) in the review process of the Policy and c) in the periodic assessment of the Policy. Moreover, it verifies, that the Company complies with the conduct of business and conflicts of interest requirements under the Law and has access to all relevant documents. The provisions of CySEC's Circular 030 on certain aspects of the Compliance Function Requirements are fully applicable in Company's Remuneration Policy.

The applicability of the Company's Policy is reviewed at least annually by the Board of Directors, in the context of an internal review for compliance with the relevant legislation, as well as to confirm applicability, viability and alignment with the industry's remuneration standards (e.g. to ensure base salary levels are not set at artificially low levels).

The Company's Remuneration system inevitably takes into account the highly competitive sector, in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff. Thus, the Company considers Remuneration as a significant method of attracting and retaining key employees, whose talent can contribute to the Company's short and long-term success; whilst simultaneously ensuring that the clients' interests will not be impaired by the remuneration policies and practices, adopted by the Company in the short, medium and long term.

4. Calculation of Remuneration

Relevant Persons are prohibited to be remunerated only with variable components. The Relevant Persons' total Remuneration consists of a fixed component (see section 4.1) and may include (but not necessarily) a variable component (see Section 4.2). The Company may decide to provide some employees and/or the members of the Board, with an annual variable Remuneration (see Section 4.5).

The Company shall ensure, that the variable component does not exceed 100% of the fixed component of the total Remuneration for each individual (as per Paragraphs 21(g) (i) and (ii) of the Directive). In addition, the shareholder of the Company may approve a higher maximum level of the ratio between the fixed and variable components of Remuneration provided, that the overall level of the variable component does not exceed 200% of the fixed component of the total Remuneration for each individual.

For the approval of the aforementioned higher ratio, a quorum of 50% of shareholders and 66% of votes in favour is required. If that quorum is not achieved, a majority of 75% of the votes of the shareholders represented, is required.

4.1. Fixed Remuneration

Fixed Remuneration varies for different positions/roles, depending on each position's actual functional requirements, and it is set at levels, which reflect the educational level, experience, risk, accountability, and responsibility needed for an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors.

The Company's fixed Remuneration is approved by the Senior Management for all the relevant employees and it is reviewed by the Company at least annually and according to the relevant legislation, without affecting the other terms of employment.

Benefits provided to the Company's Relevant Persons, are not employee performance-related and are considered as a part of the fixed Remuneration.

4.2. Variable Remuneration

The Company always comply with the inducements rules and has in place a 'variable Remuneration scheme', whereby the Relevant Persons may receive variable Remuneration in addition to their monthly fixed salary/fixed fee (in case of third party service providers) and in accordance with Section 9 of the Policy. Variable Remuneration is only paid via the Company's payroll system via wire transfer on the employee's name and third-party service provider's name, where applicable.

The Company does not award, pay or provide guaranteed variable Remuneration.

The Company has classified four main groups of the Relevant Persons, who may receive variable Remuneration.

4.2.1. Senior Management and employees receiving total Remuneration, which takes them into the same remuneration bracket as Senior Management: The senior management is eligible for an annual (one-off) variable Remuneration, which is determined primarily by qualitative criteria and secondly by quantitative criteria. The Company provides variable Remuneration, if accumulatively the following qualitative criteria are fulfilled:

- a) The Company has not identified instances of material regulatory breaches over the past 12 months;
- b) The Company including its third-party service providers, perform their duties on a professional manner in line with the best interest of the clients;
- c) No significant administrative fine and/or no fine related to material regulatory breaches over the past 12 months has been imposed from CySEC to the Company or/and to the members of the Board;
- d) The Company is not under investigation from CySEC;
- e) Complaints (if any) which have been raised from clients against the Company, are within the tolerance ratio pre-set by the Company;

If the abovementioned qualitative criteria are met, the Company provides variable Remuneration to the Senior Management, if the below mentioned quantitative criterium is met:

The Company has reached/exceeded its targets as set at the beginning of each financial year.

4.2.2. Control Functions: either operated by the relevant Department of the Company or/and by a third-party service provider, variable Remuneration is determined only by qualitative criteria, which are inter alia the following:

- a) The relevant Control Function has not identified instances of material regulatory breaches over the past 12 months;
- b) The Remuneration is provided in accordance with the achievement of the objectives linked to each Control Function, independent of the performance of the business areas they control;
- c) Complaints (if any) which have been raised from clients against the relevant Control Function, are within the tolerance ratio pre-set by the Company;
- d) No significant administrative fine and/or no fine related to material regulatory breaches (for issues relating to Control Function/s) over the past 12 months has been imposed from CySEC.

4.2.3. Retention Function: either operated by the relevant Department of the Company or/and by a third-party service provider, the amount of the variable Remuneration is determined based primarily on qualitative criteria and also by quantitative criteria. The qualitative and quantitative criteria apply both to the Sales/Retention Function overall and individual retention officers. The Company provides variable Remuneration only, if accumulatively the following qualitative criteria are fulfilled:

- a) The Retention Function does not fall on major breaches of the applicable regulations;
- b) Complaints (if any) which have been raised from clients against Retention Function are within the tolerance ratio pre-set by the Company, and depending on the nature of each complaint;
- c) Variable Remuneration is not awarded to the Retention Department or/and the third-party service provider, which offer such services, where the Company's products have been sold to clients, who have zero trading experience and knowledge with respect to the services and products the Company offers or because insufficient information was provided regarding the client's knowledge and experience;
- d) The Retention Function or/and the third-party service provider presents information to the client and/or prospective client, who is factual, fair, balanced and non-misleading;
- e) The Retention Function has followed the Company's procedures and policies in relation to the promotion/marketing of its services and products (i.e. no misleading information provided to client, risk warnings have been provided to clients, no pressure has been put on clients, no repeated and annoying calls were made to the client, discussions with clients were on an informative nature, no one-sided highlight of benefits etc.);
- f) The monitoring activity of the Compliance Function has not resulted in any negative results or poor practices identified;
- g) Client satisfaction surveys have been carried out with positive results;

4.2.4. Other Relevant persons, which do not operate Control Functions or Sales Function, but have a material impact on services provided: In relation to services that are linked with complaints handling, on boarding procedure, specialist financial education providers etc. (either operated by the relevant Department of the Company or/and by a third party service provider), the amount of the variable Remuneration is primarily based on qualitative criteria and secondly on quantitative criteria implemented on a case to case basis. In every case no variable Remuneration is provided by the Company, if the qualitative criteria (act fairly, honestly and for the best interest of the clients, no complaints raised) are not met.

Further to the above, the variable Remuneration provided to Relevant Persons is designed to ensure, that the total Remuneration remains in competitive levels, thus rewarding the staff for its performance, whilst remaining aligned with the department's and/or the Company's performance and long-term targets.

All of the performance measurements, operated to calculate variable Remuneration, contain applications for all current and future risks and take into account the cost and quantity of the liquidity and capital required. Also, the Company considers the need for consistency with the timing and the likelihood of the Company to receive potential future revenues, which will be integrated into current earnings (see Section 12).

Moreover, the fixed and variable components should remain appropriately balanced and the total fixed component should represent a sufficiently high proportion of the total Remuneration, to allow the operation of a fully flexible policy on variable Remuneration components (even to allow for zero variable components to be offered) (see Section 12).

4.3 Specific measures for mitigating conflicts of interest in relation to variable remuneration

- a) The Company mitigates the conflicts of interest risk, which may arise as a result of its variable remuneration practice as per 4.2 above. The measures apply to Relevant Persons, including in house Departments and third-party service providers. The Company's measures, which would be used to mitigate such risk are:
- b) The variable Remuneration is not provided until a specific period of time has passed. Under this measure, the Company aims to lessen the risk of a short-term speculative mindset, especially in retention staff. The variable Remuneration practice is structured to align the long-term interests of the staff and the direct and continuous best interest of the clients.
- c) The Company awards variable Remuneration only, when the relevant Departments of the Company or/and the third-party service providers, have conducted their duties according to the regulatory requirements (act clear, fair and not misleading). Complaints (if any) which have been raised from clients against the Company, must be within the tolerance ratio pre-set by the Company, but complaints which are indication of a violation of the

Company's policies and procedures will not be tolerated. In relation to the implementation of these requirements, the Company uses in both the employment agreements and the outsourcing agreements standardized terms, which have been reviewed by the Compliance Officer and approved by the Board.

- d) The Company monitors via a variety of methods the Departments and the third-party service providers, which receive variable Remuneration (especially retention staff), so as to ensure, whether they are acting in the best interest of their clients. The Company records all calls between the retention staff and clients. Moreover, the Company's Compliance Officer performs sample checks of the recorded calls and makes a relevant monthly report to the Board, to ensure that retention staff acted in accordance to the Company's guidelines, policies and procedures. In case of third-party service providers, the Company also proceeds in supervisory on-site visits, desk based reviews and listening to phone calls in the third party provider's premises in order to screen and monitor the relevant procedure.
- e) The Company proceeds in an on-going education of the retention staff and other key functions of the Company within the meaning of the Relevant Persons, in order to update their knowledge and be consistent with the regulatory requirements. In case of failure by employees to pass the relevant assessment of the training offered, variable Remuneration is not provided.
- f) Where the Company, upon monitoring the Relevant Persons' (especially retention staff) behaviour to the clients, ascertains material failure of regulatory requirements or poor customer service, proceeds in the following penalty measures, depending on the gravity of such failure:
 - i. removal from entitlement to variable Remuneration for a suitable period of time;
 - ii. reduce 50% or more the payment of variable Remuneration;
 - iii. removing the variable element altogether;
 - iv. suspension of the role for a suitable period of time;
 - v. removal of the role;

4.4. Overtimes and Holidays Remuneration

All Company employees are eligible to overtime payments during weekdays (i.e. Monday to Friday), evaluated by multiplying the number of overtime hours by the employee's hourly rate.

Moreover, all Company employees are eligible for salary payment, when working during bank holidays and weekends.

Overtime and holiday payments are made 1 month in arrears.

4.5. Annual Variable Remuneration

Without prejudice of section 4.2 of the Policy, some of the members of the Board may receive an annual (one-off) variable Remuneration, which is evaluated from their annual performance appraisal (see Section 9).

4.6. Other Factors

Other factors taken into account for the Remuneration of the Company's employees, are the following:

- a) The financial viability of the Company;
- b) The general financial situation and the state, in which the Company operates;
- c) Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics), performance evaluation and the rating, received based on their annual performance in relation to the objectives set up at the beginning of the period;
- d) Each employee's professional conduct with clients (such as acting in the best interest of the Client, fair treatment of clients and inducing client satisfaction), as applicable;

5. Termination of Employment

In the case of an employee's termination of employment, the Policy is designed so as to only reflect the performance achieved over time, and thus, not reward failure or misconduct (as per Paragraph 21(h) of the Directive).

6. Compensation

Remuneration packages, relating to compensation, will always be aligned with the long-term interests of the Company, including retention, deferral, performance and clawback arrangements (as per paragraph 21(i) of the Directive).

7. Clawback agreements

Up to 100% of the total variable Remuneration shall be subject to clawback arrangements, based on certain criteria. Such criteria shall in particular cover situations, where the staff member:

- a) participated in or was responsible for conduct, which resulted in significant losses for the Company;
- b) failed to meet appropriate standards of fitness and propriety;

8. Pension

The Company does not currently have any active pension scheme. The Company shall proceed and establish such arrangements, when and if it is deemed necessary, while taking into consideration the business strategy, objectives, values and long-term interest of the Company.

9. Performance Appraisal

The Company shall ensure, that where/if remuneration is linked with performance, the total amount of Remuneration is based on a combination of the performance assessment of:

- a) the individual (quantitative, as well as qualitative criteria, except those, who perform their duties on Control Functions, where only qualitative criteria apply, are taken into account; annual performance evaluation and performance rating are taken into account);
- b) the business unit concerned; and
- c) the overall results of the Company and as long as conflicts of interest are mitigated, as described in this Policy.

Examples of qualitative criteria include compliance with regulatory requirements (especially conduct of business rules and, in particular, the review of the suitability of instruments, sold by relevant persons to clients) and internal procedures, fair treatment of clients and client satisfaction.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of Key Performance Indicators and Targets, developed for each department.

In general, performance appraisal is performed in a multiyear framework, in order to ensure, that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of Remuneration will be spread over a period, which will take into account the Company's underlying business cycle and risks.

Additionally, performance appraisal on medium and short-term is being performed as follows:

- i. Objectives are set, depending on the department appraisal process, defining what the Company functions, departments and individuals are expected to achieve during the specified period;
- ii. The Head of the Departments and Managers conduct performance checks and feedbacks, and provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews. The aim is to assist the staff to develop their skills and competencies;
- iii. The annual and/or semi-annual performance review also determines the level of the (one-off) variable Remuneration to be awarded to the employees. The variable elements of the Remuneration depend on the annual performance evaluation of each employee, the fulfilment of their annual performance related targets and the annual financial performance of the Company;

10. Remuneration Committee

The Company has taken into account its size, internal organization and the nature, scope and complexity of its activities, taking into account the provisions of CySEC Circular C81 and subsequently to that, it does not deem necessary to establishment a Remuneration Committee. Remuneration practices are currently set by the Board, in conjunction with the Compliance Officer.

In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable (as per the requirements of the Directive, paragraph 22).

11. Control Functions

The Company must ensure, that employees engaged in Control Functions:

- a) are independent from the business units they oversee;
- b) have appropriate authority; and
- c) are remunerated:
 - i. adequately to attract qualified and experienced staff; and
 - ii. in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Further to the above, the Policy is designed to manage the conflicts of interest, which might arise, if other business areas had undue influence over the Remuneration of employees within Control Functions. Moreover, the need to avoid undue influence is particularly important, where employees from the Control Functions are embedded in other business areas.

As per the provisions in Article 9(3)(c) of Directive 2014/65/EU (**MiFID II**) the Senior Management shall define, approve and oversee the Remuneration Policy, which encourages responsible conduct and the fair treatment of clients, while also avoiding conflicts of interest. Within the conflicts of interest provisions in Article 23(1) of MiFID II, the management of the Company aims to identify, prevent and manage conflicts engendered by its own remuneration and other incentive structures.

12. Remuneration and Capital

The Company will ensure, that the total variable Remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital base. The Policy underlines the link between the Company's variable remuneration costs and the need to manage its capital base, including forward-looking capital planning measures. Where the Company needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible, to allow it to direct the necessary resources towards capital building.

The measurement of performance used to calculate variable Remuneration components or pools of variable remuneration components, and allocation of variable Remuneration, includes an adjustment for all types of current and future risks, and takes into account the cost of the capital and the liquidity required (as per par. 21(j) and (k) of the Directive)

13. Avoidance of the Remuneration Principles

The Company will ensure, that variable Remuneration, including the annual variable Remuneration, is not paid through methods or means, which may facilitate the breach of any of the provisions of the relevant legislation.

14. Documentation, Policy Review and Disclosures

The Senior Management keeps records containing information as regards the Remuneration of the Company's employees in a separated file/record (e.g. payroll data) at the Company's premises.

The applicability of the Company's Policy is reviewed at least annually by the Board, in the context of an internal review for compliance with the relevant legislation, as well as to confirm applicability, viability and alignment with the industry's remuneration standards (e.g. to ensure base salary levels are not set at artificially low levels).

Furthermore, the Senior Management with the assistance of the Compliance Function, will periodically review the Policy, as and when applicable, and thus adjust it, should the need arise, for Remuneration to include any other possible sources of additional variable components. The updated Remuneration Policy shall be presented to the Board for their review and approval.

Where potential or actual client detriment might arise, as a result of specific features in remuneration policies and practices, the Company should take appropriate measures to mitigate, eliminate and manage potential conduct of business and conflict of interest risks, by reviewing and/or amending these specific features, and set up appropriate controls and reporting mechanisms, for taking appropriate action to mitigate and ideally eliminate, potential conduct of business and conflict of interest risks.

Furthermore, the Company will ensure, that it has appropriate and transparent reporting lines in place across the Company, to assist in escalating issues involving risks of non-compliance with the Law, conflicts of interest and conduct of business requirements under the Law.

Without prejudice to the provisions of the Processing of Personal Data (Protection of Individuals) Law and General Data Protection Regulation – (EU) 2016,/679 (GDPR), the Company provides in its annual disclosures, information relevant to its Remuneration Policy, to the extent required under the “Disclosure and Market discipline obligations (Pillar 3 Disclosures)” as per the disclosure requirements set by the Directive.

The Disclosure and Market Discipline Report is posted on the Company's website, by the end of April of each financial year, whilst there is also the possibility for the said report to be included in the Company's Financial Statements, along with any information on the number of natural persons, who are remunerated €1,000,000 or more per financial year, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution, based on the Paragraph 5(2) of the Directive.

Nevertheless, currently there are no natural persons in the Company, who are remunerated €1,000,000 or more per financial year and as such the above disclosure is not applicable to the Company.