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**Independent Auditor's Report to the Cyprus Securities and Exchange Commission pursuant to the "CySEC's Reporting Obligations – extension of deadlines" dated 18 April 2022 (hereinafter the "letter") of the Cyprus Securities and Exchange Commission**

We report in relation to the fair presentation of the Pillar III disclosures (the "Disclosures") of Fidus Investments Cyprus Ltd (the "Company") for the year ended 31 December 2023, required by the letter of the Cyprus Securities and Exchange Commission (the "CySEC"), dated 18 April 2022. The Disclosures are attached as an Appendix and have been initialled for identification purposes.

**Respective responsibilities**

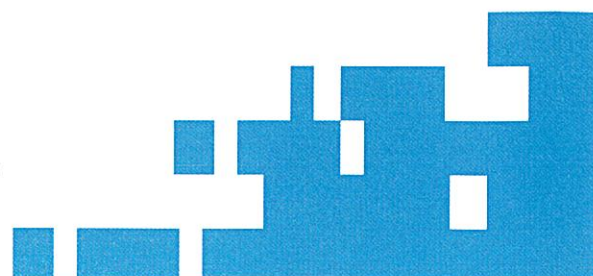
The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the EU Regulation 2019/2033 ("Investment Firm Regulation" or "IFR") and the EU Directive 2019/2034 ("Investment Firm Directive" or "IFD"). Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the letter.

**Scope of work performed**

We concluded our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the IFR and IFD. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of the IFR and IFD, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

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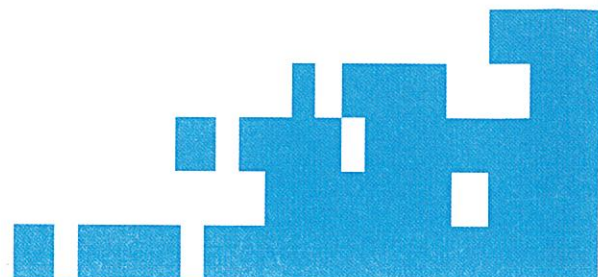
## Conclusion

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2023 are not fairly presented, in all material respects, in accordance with the requirements of the IFR and IFD.

Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures required pursuant to the IFR and IFD and does not extend to any financial statements or other financial information of the Company.

*RSM Cyprus Ltd.*

RSM Cyprus Limited  
Certified Public Accountants and Registered Auditors  
Limassol, 29 May 2024





# Fidus Investments Cyprus Ltd

## PILLAR III REPORT FOR FINANCIAL YEAR 2023

According to:

Article 54(3) and Article 49(2) of the IFR - (EU) 2019/2033, Directive (EU) 2019/2034 and the Regulation (EU) 2019/2033 published in the Official Journal on 5 December 2019 which establish a new prudential framework for investment firms authorised under MIFID.

Part Six of the Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 600/2014 and (EU) No 806/2014 (the "IFR")

Commission delegated regulation (EU) 2022/25  
Supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methods for measuring the K-factors referred to in Article 15 of that Regulation

Cyprus Securities and Exchange Commission's Law to Provide for the Prudential Supervision of Investment Firms ("L.165(I)/2021").

**April 2023**



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# 1. Introduction

## **Corporate Information**

Fidus Investments Cyprus Limited (hereafter "Fidus" or the "Company") was incorporated in Cyprus on 23 May 2016 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. The principal activity of the Company is the provision of financial services and specifically to act as broker for professional clients, eligible counterparties, retail clients and clients who may be treated as professionals on request.

On the 12th of May 2017, the Company received authorization from the Cyprus Securities and Exchange Commission (hereafter the "CySEC", the "Regulator") to operate as a Cyprus Investment Firm under CIF license number 326/17 and registration number HE355918.

Specifically, its license includes the provision of the following investment and ancillary services, in the financial instruments specified below:

## **Investment Services**

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

## **Ancillary Services**

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

## **Financial Instruments**

- Transferable securities
- Money market instruments
- Units in Collective Investment Undertakings (CIUs)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
- Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF
- Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Pillar III and not



being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls

- Derivative instruments, the transfer of credit risk
- Financial contracts for differences
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures, not otherwise mentioned in this Part, which have the characteristics of other financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses are subject to regular margin calls.

### **Regulatory framework overview**

The Company has prepared this Disclosure and Market Discipline Report (hereafter the "Report") to fulfil its obligations in accordance with the below relevant provisions of (not an exhaustive list):

- Article 54(3) and Article 49(2) of the IFR - (EU) 2019/2033, Directive (EU) 2019/2034 and the Regulation (EU) 2019/2033 published in the Official Journal on 5 December 2019 which establish a new prudential framework for investment firms authorised under MIFID.
- Part Six of the Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 600/2014 and (EU) No 806/2014 (the "IFR")
- Commission delegated regulation (EU) 2022/25
- Supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methods for measuring the K-factors referred to in Article 15 of that Regulation
- Cyprus Securities and Exchange Commission's Law to Provide for the Prudential Supervision of Investment Firms ("L.165(I)/2021")
- Law 144(I)/2007, which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, as amended (hereinafter, the "Law"), including all its amendments: Law 106(I)/2009 of 23 October 2009, Law 141(I) of 26 October 2012, Law 154(I) of 9 November 2012, Law 193(I)/2014 of 19 December 2014 and Law 8(I)/2016 and Law 87(I)/2017.
- The Capital Requirements Directive /Directive 2013/36/EU on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, for the amendment of the Directive 2002/87/EC and the repealing of the Directives 2006/48/EC and 2006/49/EC ('the European Directive').



- The Capital Requirements Regulation/Regulation Article 54(3) and Article 49(2) of the IFR - (EU) 2019/2033, Directive (EU) 2019/2034 and the Regulation (EU)
- 2019/2033 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 ('the Regulation').
- The Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007, 2010, 2012 and 2013, amending Law 184(I)/2014, 18(I)/2016, 13(I)/2018, 158(I)/2018 and 81(I)/2019 and the relevant Directives and Circulars issued thereof by the Cyprus Securities and Exchange Commission (hereinafter "CySEC").
- In accordance with Article 53 of the IFR, as from 26 December 2022, the Company shall monitor the average size of on and off-balance sheet assets with a view to disclose relevant information on environmental, social and governance risks, including physical risks and transition risks. As at 31 December 2023 the Company meets the criteria under Article 53, thus does not require to disclose any further information regarding the abovementioned risks.
- The Company meets the criteria set out in Article 32 (4) a) of the IFD regarding the size of its on and off-balance sheet assets, it is not required to disclose its investment policy in accordance with Article 52 of the IFD and has elected not to.

The Directive is based on three pillars:

- Pillar I has to do with the standards that set out the minimum regulatory capital requirements required for credit, market and operational risk
- Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes. Under this pillar, investment firms have to evaluate and assess their internal capital requirements.
- Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place.

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the Regulation.

The Regulation provides that an investment firm may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions.

The Regulation also permits investment firms to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The European Banking Authority ("EBA") defines proprietary as "...if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable." Confidential information is defined as: "Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality."



The Company has prepared the Disclosures taking into consideration the above guidelines.

### ***Basis and Frequency of disclosure***

The Company intends to make its Pillar III disclosures annually in a document other than the financial statements.

The disclosures will be uploaded on the website of the Company [www.fidusinvestments.eu](http://www.fidusinvestments.eu) where they will be publicly available to view and download.

These disclosures are based on the position of the Company after the completion of the audit for the financial statements as at 31/12/2023.

### ***Scope of application***

The Company is making the disclosure on an individual (solo) basis.

## **2. Governance - Board and Committees**

The Company recognizes that risk-taking is inherent to its business activities and manages risk with the purpose of reducing risks to the level accepted by the Company and reaching an optimal balance between risk and profitability. Risks are governed by the Board of Directors which covers risk management issues. The core risk management tasks are carried out by an independent Risk Management function.

The Board of Directors, which consists of three executive and four non-executive members, constitutes the ultimate administrative part of the Firm and is responsible for overseeing all operations. In addition, the Board of Directors has responsibility for the overall risk management and assessment. To this effect, the Board is responsible for identifying, assessing, monitoring and controlling each type of risk on a continuous basis.

### **Board of Directors duties**

The major duties of the Board of Directors with respect to the management of risks, amongst other, are as follows:

- Is ultimately responsible for the compliance of the Firm to the applicable legislation.
- Ensures that the Firm operates according to all applicable legislations, its memorandum and articles of association, and as per the requirements of the local regulatory authorities in jurisdictions in which it provides services.
- Monitors the operations of the Firm to make sure that strategic objectives of the Firm are met.
- Is responsible for establishing and amending where necessary the internal procedures.
- Is responsible for reviewing all the reports from the internal auditor and the compliance officer and takes necessary actions and corrective measures where appropriate.

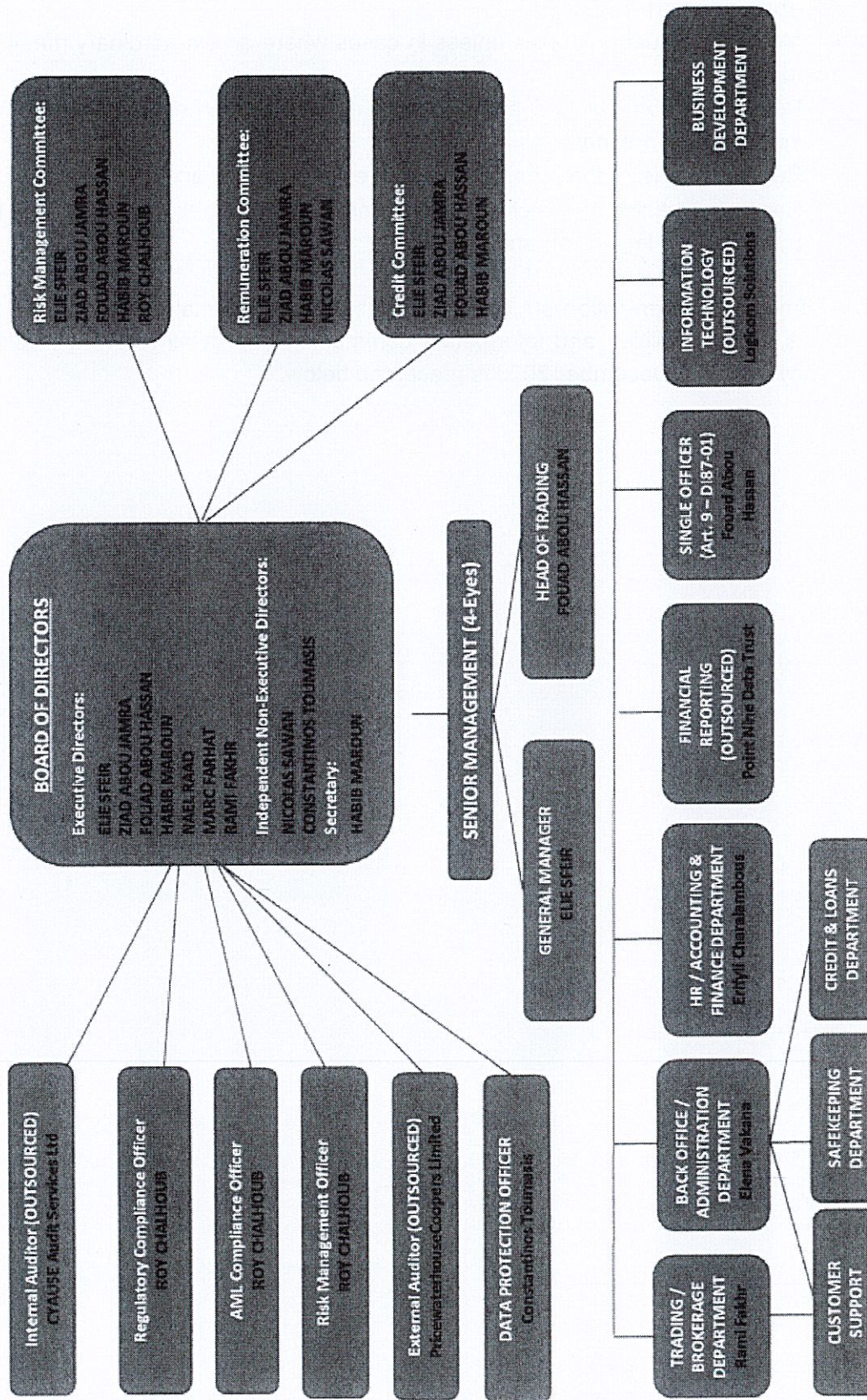


- Decides on new products and services that the Firm might offer based on the changing environment of the financial markets.
- Appoints senior management
- Appoints the compliance officer
- Appoints internal auditor
- Meets on a quarterly basis unless in cases where an extraordinary meeting might be required.
- Receives reports, at least annually, on the risk management, compliance function and internal audit mechanisms of the Firm
- Regularly reviews the Firm's risk management policies and procedures
- Carries and fulfils any such other responsibilities and obligations as may be required by applicable legislation and regulations

The Company's organization structure, which indicates the main reporting lines, allocated functions, responsibilities and information communications at all relevant levels within the Company, as at 31 December 2023 is presented below.



FIDUS INVESTMENTS CYPRUS LIMITED  
Organisational Structure July 2023



Initialed for identification purposes  
RSM Cyprus Limited

RSM Cyprus Limited  
Initialed for identification purposes



## 2.1 Board Recruitment Policy

All Board Members of Fidus are well known individuals with a proper background, expertise and skills to fulfill their duties and responsibilities.

In addition, all Board Members were approved by CySEC while four (Cy based) out of the seven have obtained **CySEC's Advanced Certificate**.

All new Board members will be selected based on the below criteria:

- To be of a good repute
- To have a strong educational background
- To have an experience in the European financial services industry
- To be able to create value to the Board and the Company due to his/her experience and background

Towards that end Fidus aims to verify the integrity of Directors during the selection process.

In general, for the selection of the members of the management body the Company pursuing the targets of having professionally experienced, balanced and integrity management. The members need to have higher education and/or necessary professional qualifications, advanced financial knowledge in the areas of financial markets, accounting and financial reporting, have appropriate knowledge and diverse financial experience to perform their duties. The Company's Board of Directors comprises professionally qualified members, with sufficient financial experience and understanding of financial markets, their professional expertise includes accounting and auditing, IT, financial management and other areas. The Company recognizes the benefits of having a diverse management team in terms of financial specialization, knowledge, skills, expertise and background and that, in particular, it might contributes to higher quality management decisions.

The composition of the team is such that dependency on a single member of Management is avoided.

## 2.2 Information flow on risk to the management body

The information flow on risk to the management body is achieved, inter alia, through the following reports that are prepared once a year:

| Report                      | Prepared by        | Frequency | Report received by |
|-----------------------------|--------------------|-----------|--------------------|
| Risk Management             | Risk Manager       | Annually  | Board of Directors |
| Compliance                  | Compliance Officer | Annually  | Board of Directors |
| Internal Audit (outsourced) | Internal Auditor   | Annually  | Board of Directors |
| AML                         | AML officer        | Annually  | Board of Directors |



In addition, the Board of Directors should receive all the minutes of the Risk Management Committee as well as financial reports at regular intervals and always has full access on real time accounting data. During 2023 the risk committee has been conveyed on several occasions to discuss operational matters.

## 2.3 Board Diversity Policy

Fidus recognizes and embraces the benefits of having a diverse Board as a means of enhancing and securing the quality of its performance. The Board Diversity Policy aims to set out the approach for achieving diversity of the Board of Directors of the Company, within the reasonable limitations deriving from the small size and nature of operations.

To avoid group thinking and facilitate independent opinions and critical challenge, the Company's management body is sufficiently diverse as regards age, geographic provenance and educational and professional background to present a variety of views and experiences.

Therefore, diversity is one of the criteria for the composition of the management body.

Also, the employee representation in the management body is a positive way of enhancing diversity and adds a key perspective and genuine knowledge of the Company's internal workings, and thus is promoted by the Company.

## 2.4 Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

It shall be noted that the Company is not considered significant in terms of its size, internal organization and the nature, scope and complexity of its activities.

| Name              | Position with<br>Fidus Investments<br>Cyprus Ltd | Directorships -<br>Executive in other<br>companies | Directorships –<br>Non-Executive<br>in other<br>companies |
|-------------------|--|--|---|
| Fouad Abou Hassan | Executive Director                               | -  | -   |
| Elie Sfeir        | Executive Director                               | -  | -   |
| Ziad Abou Jamra   | Executive Director                               | 1  | 1   |
| Habib Maroun      | Executive Director                               | -  | -   |



|                       |                          |   |   |
|-----------------------|--------------------------|---|---|
| Nicolas Sawan         | Non-Executive Director   | - | - |
| Konstantinos Toumasis | Non – Executive Director | 1 | 1 |
| Nael Raad             | Executive Director       | - | - |
| Rami Fakhr            | Executive Director       | - | - |
| Marc Farhat           | Executive Director       | - | - |

## 2.5 Risk Management Committee

The Risk Management Committee is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general. The responsibilities of Risk Committee are as follows:

- scrutinize, and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company
- evaluate any market-driven shifts in the Company's organizational structure
- review the risk management procedures in place
- ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company.
- consider risk factor affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties
- review the Liquidity Risk and Market Risk policies of the Risk Management Department
- prior to expanding its operations to any new financial instruments or investment services, the Risk Management Committee shall incorporate such expansion projects into its strategic development plan, locate and accurately assess the inherent risks, implement relevant risk management procedures, and resolve the legal issues associated with the execution of the relevant transactions as well as the issues relating to their logistic monitoring
- ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets



- approve and monitor Clients and counterparty limits
- approve policy description concerning information systems and monitor the information systems in place
- establish policy regarding the amount of information provided to Clients about the nature and risks of financial instruments according to the Client classification
- supervise and approve the Company's Disaster Recovery Plan
- examining the offers obtained from different suppliers for purchasing equipment and software related to Risk Management

The Risk Management Committee present its findings in a report to the Board. The latter decides upon the risk management policies of the Company, giving regard to the recommendations of the Risk Management Committee.

During 2023, the Risk Management Committee has met on several occasions. The Risk Committee usually meets once per annum unless deemed necessary by the Committee to when there are circumstances that require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager.



### 3. Risk Management Objectives and Policies

#### ***Risk Management Framework:***

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company's activities. The current risk management framework sets the process applied in the activities of the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.

Within the Company's risk management framework there are structures that provide for the validation role of risk management, compliance and internal audit functions. Even though these are distinct functions in the Company's structure and they perform very specific duties in the overall risk management framework, there is a considerable degree of overlap and intersect in place.

Considering the nature, scale and complexity of the business of the Company, and the nature and range of investment services and activities undertaken in the course of this business, the integrated objective of these distinct functions is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring structure.

#### ***Internal Control Functions***

The Company has the following control mechanisms to ensure its proper functionality:

- Risk management function
- AML and Compliance function
- Internal audit function

### 3.1 Risk management function

The Risk Manager mainly implements and maintains suitable risk management policies, approved by the risk management committee, to identify and manage risks relating to the Company's activities, processes and systems.

In its role, the Risk Manager primarily sets appropriate tolerance levels for identified risks and ensures compliance to these by means of adequate and effective policies and procedures.

The appointed Risk Manager participates in Risk Management Committee meetings.

#### ***Risk Manager***

The Company retains a Risk Manager to ensure that all the different types of risks taken by the Company are in compliance with the Law and meet the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager reports to the Executive Management Team of the Company.

The Risk Manager is responsible, as necessary, for:

- complying and implementing the relevant provisions of the Law, relating to risk management issues



- requiring sufficient information from all the relevant departments of the Company, as applicable
- educating and training the personnel of the Company on risk-related issues
- examining the financial results of the Company on risk related matters
- evaluating how the introduction of any potential new services or activities by the Company could affect the risk management of the Firm, and provide such requests to the Executive Management Team or the Board, as requested
- examining the capital adequacy and the exposures of the Firm
- drafting written reports to the Executive Management Team making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually.
- setting, updating and monitoring Clients
- maintaining a record of all the Clients' and counterparties' risks and limits involved
- recommending, providing and supervising policy description concerning information systems (including backup systems that can restore smooth operation in case of failure)
- monitoring the amount and type of information provided to Clients regarding the nature and risks of financial instruments according to the Client classification.

### **3.2 AML and compliance function**

The Anti-Money Laundering Compliance (AMLCO) Function of the Company is currently staffed by the Anti-Money Laundering & Compliance Officer who is employed on a full-time basis. The physical location of the Department is within the Company's premises.

The AMLCO function belongs hierarchically to the higher ranks of the Company's Organizational Structure to command the necessary authority. The AMLCO officer reports to the Board of Directors and to the Senior Management. Among other responsibilities, the AML and Compliance Function:

- Designs, based on the general policy principles, the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, describes and explicitly allocates the appropriateness and the limits of responsibility of each department that is involved in the above mentioned
- Develops and establishes the customers' acceptance policy, and submits it to the Board of Directors for consideration and approval
- Prepares a risk management and procedures manual regarding money laundering and terrorist financing
- Monitors and assesses the correct and effective implementation of the AML policy, the practices, measures, procedures and controls and in general the implementation of the AML risk management and procedures manual
- Receives, evaluates and examines information from the Company's employees which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or might be related with such activities
- Acts as the first point of contact with MOKAS, upon commencement and during an investigation as a result of filing a report to MOKAS



- Ensures the preparation, maintenance and updating of the lists of customers categorised following a risk-based approach
- Detects, records, and evaluates, at least on an annual basis, all risks arising from existing and new customers, new financial instruments, services, updates and amends the systems and procedures applied by the Company for the effective management of the aforementioned risks
- Provides advice and guidance to the employees of the Company on subjects related to money laundering and terrorist financing
- Acquires the required knowledge and skills for the improvement of the appropriate procedures for recognising, preventing and obstructing any transactions and activities that are suspected to be associated with money laundering or terrorist financing
- Determines the Company's departments and employees that need further training and education for the purpose of preventing money laundering and terrorist financing and organizes appropriate training sessions/seminars
- Prepares the Anti-Money Laundering report
- Responds to all requests and queries from MOKAS and the CySEC, provides all requested information and fully cooperates with MOKAS and the CySEC.

### 3.3 Internal Audit function

The internal audit function aim is to ensure compliance of the different units of the Company with the manual and its procedures in place and relevant decisions taken and it is outsourced by the Company.

Internal Auditor is provided with full access to the software and to all manners of documents, files and data of the Company and will receive all necessary assistance by the employees and members of staff in the course of the exercise of their duties.

The conclusions of the regular or extraordinary audits are documented and submitted in the form of a report to the Board of Directors alongside with possible suggestions in respect of any further action to be taken by the Company.

The main duties of the Internal Auditor are:

- To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements.
- To issue recommendations based on the result carried out in accordance with the point above.
- To verify compliance with the recommendations of the point above.
- To provide timely, accurate and relevant reporting in relation to internal audit matters to the Executive Management Team and the Board.
- To ensure that all employees have a good working knowledge of the operational guidelines of the Company.
- To confirm that the procedures (Chinese Walls) that are designed to restrict information flow between departments are in place and operational.



- To validate that all employees have all required professional certifications as required by their position.
- To liaise with the Compliance Officer whether conflicts of interest have been identified and resolved.
- To certify that every new employee with managerial role, heading a department or otherwise critical role as per applicable regulation has been interviewed by the Company and accepted by CySEC before the beginning of their contractual employment.
- To verify that all agreements signed by the Company with external counterparties are valid.

#### **4. Board declaration – Adequacy of risk management arrangements**

The declaration on the adequacy of risk management arrangements of the Company is provided in ANNEX I. This is approved by the Board and provides assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

#### **5. Internal Capital Adequacy Risk Assessment (ICARA)**

Pillar II covers any risks not fully addressed in Pillar I, such as regulatory risk and political and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy risk assessment (ICARA) and to the reliability of its internal control structures. The role of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks by also taking into consideration off balance sheet factors. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

The Company has prepared an ICARA report with reference date the 22th of March 2024.

#### **6. Risk Statement**

The Company's Risk Statement is provided in Annex II. The Risk Statement describes the Risk Appetite and its link to the overall strategy.



## 7. Principal Risks

The principal risks that the Company is exposed to areas follows:

- K Factor Requirement
- Market Risk
- Operational Risk
- Regulatory Risk
- Political Risk
- Liquidity Risk

### 7.1 K Factor Requirement

#### K-Factor Requirement

Under the new prudential framework of the IFD / IFR, K-factors must be used by Class 2 firms to determine their capital requirements. The Company is considered to be a class 2 CIF as it is not a systemic investment firm.

The IFD/ IFR requires that a firm's capital requirement is the higher of the following:

- its permanent minimum capital,
- its fixed overhead requirement, or
- its K-factor requirement.

**The K-factor requirement is the sum of:** Risk-to-Client (RtC), Risk-to-Market (RtM), and Risk-to-Firm (RtF).

#### Risk-to-Client K-factors

##### A. Risk-to-Client (RtC)

Risk to client measures are proxies for the business areas of the Company where its clients may be exposed to problems / issues which could inherently impact the firm's own funds (capital). Within Risk-to-Client (RtC) there are additional 4 subfactors defined:

#### 1. Client Assets Under Management and Ongoing Advice (K-AUM).

This factor assess the impact on clients from the poor management or execution of client portfolios. By holding capital against this risk, the company safeguards its continuity of service to its client base.

#### 2. Client Assets Safeguarded and Administered (K-ASA).

This K-factor ensures that the Company holds sufficient capital in proportion to assets safeguarded and administrated on behalf of clients irrespective if they are on balance sheet or at third-party accounts.



### 3. Client money held (K-CMH).

This requirement assesses the exposure when the company holds its clients' money, on balance sheet or in third-party accounts. The K Factor is further broken down into 2 subsections:

- money held in segregated accounts (K-CMHS), and
- money held in non-segregated accounts (K-CMHNS).

### 4. Client orders handled (K-COH).

This K Factor calculates the risks to clients of the company which executes orders in the names of clients, and not in the firm's name. The K Factor is further broken down into 2 subsections:

- client orders handled in cash trades (K-COHC), and
- client orders handled in derivative trades (K-COHD).

K-factor requirement is calculated on the first business day of each month, and, as you can see, data collection for all K-factors is daily, except for K-AUM which is monthly

## B. Risk-to-Market K-factors

Risk-to-Market (RtM) K-factors only apply to firms with a trading book that deals on their own account or on behalf of their clients, i.e. they deal on a matched principal basis or as a market maker. Fidus does not trade on own account.

## C. Risk-to-Firm K-factors

Risk-to-Firm (RtF) is the final set of K-factors and must be modelled by investment firms that deal on their own account. They are a simplified version of the banking rules for counterparty credit risk and large exposures. Fidus does not trade on own account.

**Fidus calculates the K Factors applicable to its model of Straight Through Processing (STP) as below:**

- Client money held - CMH additional details
- Client orders handled - COH additional details
- K-Net position risk - K-NPR additional detail

## 7.2 Market risk

Fidus defines Market Risk as the risk that movements in market prices, including foreign exchange rates and interest rates will have an adverse effect on its income or the value of its financial investments. Accordingly, these movements may affect the Company's' profitability. Company implements processes for identification, measurement and management of all material sources and effects of market risks.



The Company's exposure to Market Risk consists primarily of Foreign Exchange Risk. The Company operates internationally through the use of advanced technology and is exposed to foreign exchange risk arising from various currency exposures. The exposure is minimal and is monitored continuously through the use of various control mechanisms. Further, the Company applies the straight through processing (STP) model, acting as the mediator between its clients and the connected liquidity provider. During the year 2023 the effect of the foreign exchange risk is not assessed as significant.

Interest rate risk is the risk that the value of financial instruments will fluctuate due to variability of interest rates. The Company is exposed to interest rate risk in relation to its bank deposits. However, during the period under review, the Company was substantially independent from changes in interest rates due to the fact that the Company, other than cash at bank, which attracts interest at normal commercial rates, has no other significant interest-bearing financial assets or liabilities. Nonetheless, the Risk Manager monitors the interest rate fluctuations and where necessary, any hedging will be applied.

### **7.3 Operational risk**

The Company defines Operational Risk as the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. This risk is inherent in every organization and covers a wide range of issues.

The Company manages Operational Risk through a control-based environment in which processes are documented and transactions are reconciled and monitored.

Fidus Risk Management Department has procedures in place for the identification, measurement, assessment, monitoring and mitigation of Operational Risk in which are under development as the Company roughly few months of existence. It provides guidance and advice to the business lines and acts as a means of communication between the business lines and the Board of Directors.

Fidus has also policies in place in relation to backup procedures, software maintenance, hardware maintenance, the use of the internet and anti-virus protection via its maintenance and support agreement with Logicom Solutions Limited. Moreover, the Company tested its business continuity plan during the COVID 19 pandemic successfully without having major disruption to the business. Hence remote working has also been tested satisfactorily.

The Company also has adequate controls and policies in place to monitor and track down the actions of any employee as well as identify any internal fraudulent activity.

In addition, due diligence of third-party providers is planned to be performed at the commencement of the relationship and on every other year basis.

It should be noted that the Company, as a limited license, estimates its capital requirements for operational risk using the fixed overhead approach.



## **Operating-Environmental Risk:**

The economic environment in 2023 and over the medium term is subject to a high degree of uncertainty, with the continuation of the war in Ukraine, Israel-Gaza conflict, rising tensions in US-China relations, high inflation and high interest rates threatening a significant slowdown in the global economy.

Cyprus' risk profile has improved significantly, but substantial risks remain in the domestic environment and in the external environment on which it depends.

### **Israel – Gaza conflict**

The Israel-Gaza conflict has escalated on 07 October 2023, with the launch of a major attack by Hamas. There might be a significant exposure and economic uncertainty for entities with operations, subsidiary entities or investment in the war area. Other entities, which do not have a direct exposure with the war area might also be indirectly affected by the negative global economy and global trade impact that arise due to the war.

### **Russia – Ukraine conflict**

The conflict between Russia and Ukraine continues to be highly unstable. The tension in the region impacted the Russian and global economies negatively and resulted to ongoing political tensions and international sanctions against certain Russian companies and individuals. The sanctions imposed restricted the parties from having access to foreign financial markets, including removing access of several Russian banks to the international SWIFT system.

The EU, UK and US (amongst others) have also imposed sanctions against the Russian central bank, restricting the access of the Russian state to foreign currency reserves, and introduced further asset freezes against designated individuals/entities and sectoral sanctions.

The situation is still evolving and further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown. Management believes that it is neither significantly impacted from the Israel-Gaza nor the Russia-Ukraine conflict, as its operations are not affected by the situation, therefore are reasonably well positioned to withstand volatility and economic uncertainties that may arise from the geopolitical and global economic environment. Management will continue to monitor the situation closely and assesses appropriate actions when, and if, needed.

## **7.4 Regulatory risk**

Regulatory Risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body.

The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the CySEC.

Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditors report and suggestions for improvement are implemented by management.

The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is mitigated to a significant degree.



Moreover, the external auditors and tax advisors of the Company provide all the necessary advice for tax issues so that the Company will avoid paying any penalties on taxes.

## 7.5 Political risk

Political risk refers to external factors which are beyond the control of the Company, such as political developments and government actions, specifically in Lebanon, Cyprus and the EU, which may adversely affect the operations of the Company, its strategy and vision.

More specifically, this risk may result in lower volume of transactions or loss of clients.

The general economic and political environment in the jurisdictions in which the Company operates (mainly Cyprus and Lebanon) effect has already been absorbed by the Company from 2019 to date. Therefore, the company does not consider this risk significant. Political decisions that may be taken could have a dramatic effect on legislation, taxation, inflation and unemployment, factors that are directly linked to the economic progress of a country or region and may cause chain reactions in several areas affecting the Company.

Political instability is something that is externally defined and beyond the control of the Company and its Directors. The Company's management closely monitors such developments in order to be in the position to take proactive measures to mitigate or eliminate the effect of these risks.

## 7.6 Liquidity Risk

Liquidity risk arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets.

As at 31 December 2023 and in accordance with the audited accounts, the Company's current assets were higher than its liabilities with cash and cash equivalents representing the major proportion of assets. The Liquidity Ratio calculated as the sum of highly liquid current assets (cash and cash equivalents, non-financial assets, receivables, and loans receivable) divided by current liabilities was 7.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months, equal their carrying balances as the impact of discounting is not significant.

| 31 December 2023   | Up to 1<br>Year<br>Euro | Between<br>1-2 years<br>Euro | Between<br>2-5 years<br>Euro | More than<br>5 years<br>Euro |
|--|-------------------------|------------------------------|------------------------------|------------------------------|
| Trade and other payables<br>(excluding statutory<br>liabilities) | 16,566                  | -                            | -                            | -                            |
| Lease liabilities  | 31,299                  | 2,688                        | -                            | -                            |
| Payables to related<br>parties                                   | 799                     | -                            | -                            | -                            |



|              |               |              |          |          |
|--------------|---------------|--------------|----------|----------|
| <b>Total</b> | <b>48,664</b> | <b>2,688</b> | <b>-</b> | <b>-</b> |
|--------------|---------------|--------------|----------|----------|

### **Liquidity Risk Requirements per IFR**

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 as per Article 43 of the IFR on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance.

Based on the liquidity risk requirements per Regulation (EU) No 575/2013 the CIF must hold at least 1/3 of its fixed overheads requirements which based on the 2023 audited financial statements of the Company is Euro 276k. As a result the liquidity requirement which stands for **Euro 92k**. As the own funds of the CIF are Euro the liquidity requirement is sufficiently covered.

| <b>IF 09.00 - LIQUIDITY REQUIREMENTS (IF9)</b> |   |               |
|--|---|---------------|
|  |   | <b>Amount</b> |
| <b>Row<br/>s</b>                               | <b>Item</b>   | <b>0010</b>   |
| 0010   | Liquidity Requirement   | 92            |
| 0020   | Client guarantees   |               |
| 0030   | Total liquid assets   | 1,224         |
| 0040   | Unencumbered short term deposits  |               |
| 0050   | Total eligible receivables due within 30 days   | 551           |
| 0060   | Level 1 assets  | 673           |
| 0070   | Coins and banknotes   |               |
| 0080   | Withdrawable central bank reserves  |               |
| 0090   | Central bank assets   |               |
| 0100   | Central government assets   |               |
| 0110   | Regional government/local authorities assets  |               |
| 0120   | Public Sector Entity assets   |               |
| 0130   | Recognisable domestic and foreign currency central government and central bank assets                                     |               |
| 0140   | Credit institution (protected by Member State government, promotional lender) assets                                      | 673           |
| 0150   | Multilateral development bank and international organisations assets  |               |
| 0160   | Extremely high quality covered bonds  |               |
| 0170   | Level 2A assets   | -             |
| 0180   | Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)                             |               |
| 0190   | Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %) |               |
| 0200   | High quality covered bonds (CQS2)   |               |
| 0210   | High quality covered bonds (Third Country, CQS1)  |               |
| 0220   | Corporate debt securities (CQS1)  |               |
| 0230   | Level 2B assets   | -             |
| 0240   | Asset-backed securities   |               |



|      |  |  |
|------|--|--|
| 0250 | Corporate debt securities                                  |  |
| 0260 | Shares (major stock index)                                 |  |
| 0270 | Restricted-use central bank committed liquidity facilities |  |
| 0280 | High quality covered bonds (RW35 %)                        |  |
| 0290 | Qualifying CIU shares/units                                |  |
| 0300 | Total other eligible financial instruments                 |  |

## 8. Own Funds

The Own Funds of the Company as at 31 December 2023 consisted solely of Common Equity Tier 1 (CET1) capital i.e. wholly paid up share capital and retained earnings net of dividends. The investor's compensation fund and the book value of intangible assets are deducted in arriving at Tier I capital.

CySec requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8% and any time may impose additional capital requirements for risks not covered by Pillar I. As at 31 December 2023 the capital adequacy ratio of the Company was 423.55%. The Company's actual capital adequacy ratio as reported to CySEC for the year ended 31 December 2023 was above the minimum requirement, as indicated by the tables of section 11.

The following table shows a breakdown of the Own funds of the Company as at 31 December 2023:

|  |   | (a)          | (b)  |
|--|---|--------------|--|
|  |   | Amounts      | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
| <b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b> |   |              |  |
| 1  | <b>OWN FUNDS</b>                              | <b>1,169</b> |  |
| 2  | <b>TIER 1 CAPITAL</b>                         | <b>1,169</b> |  |
| 3  | <b>COMMON EQUITY TIER 1 CAPITAL</b>           | <b>1,169</b> |  |
| 4  | Fully paid up capital instruments             | 230          | Audited Financial Statements 2023  |
| 5  | Share premium                                 | 945          | Audited Financial Statements 2023  |
| 6  | Retained earnings                             | -65          | Audited Financial Statements 2023  |
| 7  | Accumulated other comprehensive income        | 123          | Audited Financial Statements 2023  |
| 8  | Other reserves                                |              |  |
| 9  | Adjustments to CET1 due to prudential filters |              |  |



|    |   |     |                                   |
|----|---|-----|-----------------------------------|
| 10 | Other funds   |     |                                   |
| 11 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1   | -64 |                                   |
| 12 | (-) Losses for the current financial year   |     |                                   |
| 13 | (-) Goodwill  | -32 | Audited Financial Statements 2023 |
| 14 | (-) Other intangible assets   |     |                                   |
| 15 | (-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities |     |                                   |
| 16 | (-) Qualifying holding outside the financial sector which exceeds 15% of own funds  |     |                                   |
| 17 | (-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds                    |     |                                   |
| 18 | (-) Other deductions  | -28 | Audited Financial Statements 2023 |
| 19 | CET1: Other capital elements, deductions and adjustments  |     |                                   |
| 20 | <b>ADDITIONAL TIER 1 CAPITAL</b>  |     |                                   |
| 21 | Fully paid up, directly issued capital instruments  |     |                                   |
| 22 | Share premium   |     |                                   |
| 23 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1   |     |                                   |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments   | -4  | 0.3% Cash Buffer                  |
| 25 | <b>TIER 2 CAPITAL</b>   |     |                                   |
| 26 | Fully paid up, directly issued capital instruments  |     |                                   |
| 27 | Share premium   |     |                                   |
| 28 | (-) TOTAL DEDUCTIONS FROM TIER 2  |     |                                   |
| 29 | Tier 2: Other capital elements, deductions and adjustments  |     |                                   |

| Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements |  |          |          |
|---|--|----------|----------|
|   |  |          |          |
|   |  | <b>a</b> | <b>b</b> |
|   |  |          | <b>c</b> |



|  |                                   | Balance sheet<br>as in published<br>financial<br>statements | Under<br>regulatory<br>scope of<br>consolidation | Reference |
|--|-----------------------------------|---|--|-----------|
|  |                                   | As at period<br>end   | As at period<br>end                              |           |
| <b>Assets - Breakdown by asset class according to the balance sheet in the published financial statements</b>            |                                   |   |  |           |
|  | <b>Non-Current Assets</b>         |   |  |           |
|  | Equipment                         | 17,256.00   |  |           |
|  | Intangible assets                 | 1,311.00  |  |           |
|  | Right of use of asset             | 31,081.00   |  |           |
|  | Non-current receivables           | 28,377.00   |  |           |
|  |                                   |   |  |           |
|  | <b>Current Assets</b>             |   |  |           |
|  | Loan receivables                  | 544,333.00  |  |           |
|  | Receivables                       | 136,836.00  |  |           |
|  |                                   |   |  |           |
|  | Cash and cash equivalent          | 672,666.00  |  |           |
|  |                                   |   |  |           |
|  | <b>Total assets</b>               | <b>1,431,860.00</b>   |  |           |
| <b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b> |                                   |   |  |           |
|  | <b>Non-Current Liabilities</b>    |   |  |           |
|  | Lease liabilities                 | 2,688   |  |           |
|  |                                   |   |  |           |
|  | <b>Current Liabilities</b>        |   |  |           |
|  | Lease liabilities                 | 31,299.00   |  |           |
|  | Trade and other payables          | 164,501.00  |  |           |
|  |                                   |   |  |           |
|  | <b>Total liabilities</b>          | <b>198,488.00</b>   |  |           |
| <b>Shareholders' Equity</b>  |                                   |   |  |           |
| <b>1</b>   | Share Capital                     | 230,000.00  |  |           |
| <b>2</b>   | Share premium                     | 945,000.00  |  |           |
| <b>3</b>   | Retained earnings                 | 58,372.00   |  |           |
|  |                                   |   |  |           |
|  |                                   |   |  |           |
|  | <b>Total shareholders' equity</b> | <b>1,233,372.00</b>   |  |           |



### **Authorized share capital**

As at 31 December 2023, the authorized share capital of Fidus comprises of 230.000 ordinary shares of €1 per share.

### **Issued share capital**

Upon incorporation on 23 May 2016 the Company issued 1.000 Ordinary Shares of a nominal value of €1 each. As at the time of this report the Company's Ordinary Share Capital and Share Premium were €230.000 and €945.000 respectively.

### **Deductions from Own Funds**

As at 31<sup>st</sup> December 2023 the Company deducted its intangible assets, Investors Compensation fund and the 0.3% cash buffer from its own funds, as per the requirements of the Regulation and the CySEC circular C162 and C334 respectively.

Further breakdown of the own funds is provided in Annex III and IV.

The main features of the Common Equity Tier 1 instruments are as follows:

|                   |  |  |
|-------------------|--|--|
| 1                 | Issuer   | Fidus Investments Cyprus Limited   |
| 2                 | Unique identifier  | N/a  |
| 3                 | Governing law(s) of the instrument                                 | Laws of the Republic of Cyprus   |
| 4                 | Transitional CRR rules   | Common Equity Tier 1   |
| 5                 | Post-transitional CRR rules  | Common Equity Tier 1   |
| 6                 | Eligible at solo/(sub-) consolidation/solo and (sub-) consolidated | Solo   |
| 7                 | Instrument type  | Ordinary Shares  |
| 8                 | Amount recognized in regulatory capital                            | €1.175.000   |
| 9                 | Nominal amount of instrument                                       | €1   |
| 9(a)              | Issue price  | 1 000 shares issued on 23/5/2016 at €1 per share<br>124 000 shares issued on 1/3/2017 at €1 per share<br>10 000 shares issued on 5/4/2017 at €10 per share<br>28 000 shares issued on 7/5/2017 at €10 per share<br>17 000 shares issued on 19/12/2017 at €10 per share<br>50 000 shares issued on 13/4/2018 at €10 per share |
| 9(b)              | Redemption price   | N/A  |
| 10                | Accounting classification  | Equity   |
| 11                | Original date of issuance  | 23/05/2016   |
| 12                | Perpetual or dated   | Perpetual  |
| 13                | Original maturity date   | N/A  |
| 14                | Issuer call subject to prior supervisory approval                  | N/A  |
| 15                | Optional call date, contingent call dates and redemption amount    | N/A  |
| 16                | Subsequent call dates, if applicable                               | N/A  |
| Coupons/dividends |  |  |
| 17                | Fixed or floating dividend/coupon                                  | Floating   |



|       |  |                     |
|-------|--|---------------------|
| 18    | Coupon rate and any related index  | N/A                 |
| 19    | Existence of a dividend stopper  | No                  |
| 20(a) | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary |
| 20(b) | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary |
| 21    | Existence of step up or other incentive to redeem                              | N/A                 |
| 22    | Noncumulative or cumulative  | Non-cumulative      |
| 23    | Convertible or non-convertible   | Non-convertible     |
| 24    | If convertible, conversion trigger(s)  | N/A                 |
| 25    | If convertible, fully or partially   | N/A                 |
| 26    | If convertible, conversion rate  | N/A                 |
| 27    | If convertible, mandatory or optional conversion                               | N/A                 |
| 28    | If convertible, specify instrument type convertible into                       | N/A                 |
| 29    | If convertible, specify issuer of instrument it converts into                  | N/A                 |
| 30    | Write-down features  | N/A                 |
| 31    | If write-down, write-down trigger(s)   | N/A                 |
| 32    | If write-down, full or partial   | N/A                 |
| 33    | If write-down, permanent or temporary  | N/A                 |
| 34    | If temporary write-down, description of write-up mechanism                     | N/A                 |
| 35    | Position in subordination hierarchy in liquidation                             | N/A                 |
| 36    | Non-compliant transitioned features  | N/A                 |
| 37    | If yes, specify non-compliant features   | N/A                 |

## 9. Capital Requirements

In accordance with the provisions of the Part Two of Capital Requirements Regulation (CRR), the own funds comprise the following elements:

- Tier1 capital (Common Equity Tier1 (CET1) capital and additional Tier1 capital)
- Tier2 capital

CET1 capital comprises in particular the following components:

- Capital instruments, that meet criteria stated in the Article 28 and 29 of the CRR;
- Share premium accounts, that relate to the capital instruments referred to above;
- Accumulated retained earnings and other comprehensive income;
- Other reserves.

The Company's own funds are fully formed by CET1 capital and do not include any elements of additional Tier1 capital or Tier2 capital. As at 31 December 2023 the Company's CET1 capital consisted of the following components:

- Share capital (ordinary shares, classified as equity);
- Share premium (premium over the nominal value of the shares);



- Eligible reserves (accumulated retained earnings carried forward).

All the elements of the Company's CET1 capital satisfy the CRR requirements to be qualified as CET1 capital elements, in particular:

- The capital instruments were issued directly by the Company;
- The capital instruments were paid up;
- The capital instruments are classified as equity within the meaning of the IFRS;
- The capital instruments are clearly and separately disclosed in the Company's statement of financial position;
- The capital instruments are of perpetual nature;
- The capital instruments rank below all other claims in the event of insolvency or liquidation of the Company and entitle their owners to a claim on the residual assets of the institution;
- Retained earnings are available for unrestricted and immediate use to cover risks or losses as soon as these occur and verified by the persons independent of the Company that are responsible for the auditing of the accounts of the Company.

The Company's eligible reserves comprise audited retained earnings/ accumulated losses.

The Company assesses its needs under Pillar I for K Factor, market and operational risk. The CET1 ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks. The Tier 1 ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks and the total capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.

As shown below, the total capital requirements of Fidus, which are calculated based on the maximum of the three; operational risk exposure using the Fixed Overhead method, Permanent minimum capital requirement and the total of K Factor Requirements, as at 31 December 2023 amounted to €276 thousand producing the following capital ratios:

| Capital Ratios      |         |
|---------------------|---------|
| CET1 ratio          | 423.55% |
| T1 capital ratio    | 423.55% |
| Total Capital ratio | 423.55% |

Institutions are required to hold a Capital Conservation Buffer (CCB) at a rate of 0,625% in year 2016 to a full 2,5% for the year 2022 onwards, to withstand future stressful times. CCB will be met with common equity.

The restriction on distributions shall apply during the transitional period between 1 January 2016 and from 01/01/2019, as indicated below:



| Countercyclical capital buffer |       |
|--------------------------------|-------|
| Period                         | %     |
| 1/7/2016-31/12/2016            | 0,625 |
| 1/1/2017-31/12/2017            | 1,25  |
| 1/1/2018-31/12/2018            | 1,875 |
| From 1/1/2019 onwards          | 2,5   |

The Company is not required to hold any additional capital requirements as regard to the countercyclical buffer, during the year 2023.

| Table 9.1: Capital Requirements       |                       | 31 December 2023 (€'000)     |
|---------------------------------------|-----------------------|------------------------------|
| Risk Category                         | Approach              | Pillar 1 Capital Requirement |
| Permanent Minimum Capital Requirement | License               | 150                          |
| Total K Factor Requirement            | Standardised Approach | 166                          |
| Operational Risk (OPR)                | Fixed Overheads       | 276                          |
| <b>Total Capital Requirement</b>      |                       | <b>276</b>                   |

Provisions of CRR require application of prudential filters and deductions reducing the amount of institutions' own funds, relevance, and application of which to the Company's own funds is analysed below:

- Article 32 of CRR requires institutions to exclude from the elements of own funds any increase in its equity that results from securitised assets. During the financial year ended 31 December 2023 the Company did not use securitisation as a funding mechanism, and therefore the provisions of Article 32 of CRR are not available;
- Article 33 of CRR requires institutions to exclude from the elements of own fund fair value reserves related to cash flow hedges of financial instruments not valued at fair value, gain and losses on liabilities at fair value resulting from the changes in own credit standing and fair value gains or losses arising from the institution's own credit risk related to derivative liabilities. The Company did not have relevant operations so the Company's capital does not include any of these elements;
- Article 34 of CRR requires institutions not to make adjustments to remove unrealised gains/losses on assets and liabilities measured at fair value from the own funds. As at 31 December 2023 there were no unrealised gain/(losses) on fair value measured financial assets, thus these provisions are not relevant;
- The Company has made the required deductions required by the Article 36 of CRR: net book value of the intangible assets;

Deductions from own funds the deposit in the Investors Compensation Fund (ICF). The Company holds funds initially deposited and maintained in the ICF as a regulatory licensing requirement; this amount was deducted in full of own funds in accordance with the Regulator's Circular C162 of 10th October 2016.



## K Factor Requirements

The Company follows the Standardized Approach for the calculation of the minimum capital requirements for K Factor Requirements.

### IF 06.03 Client money held - CMH additional details

|      |  | Factor amount |           |           |
|------|--|---------------|-----------|-----------|
|      |  | Month t       | Month t-1 | Month t-2 |
|      |  | 0010          | 0020      | 0030      |
| 0010 | CMH - Segregated (average amounts)     | 8,185         | 8,251     | 8,855     |
| 0020 | CMH - Non-segregated (average amounts) | -             | -         | -         |

### IF 06.04 Average value of total daily client money held

|      |  | Monthly averages of total daily client money held values |           |           |           |           |           |           |            |
|------|--|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|      |  | Month t-3  | Month t-4 | Month t-5 | Month t-6 | Month t-7 | Month t-8 | Month t-9 | Month t-10 |
|      |  | 0010   | 0020      | 0030      | 0040      | 0050      | 0060      | 0070      | 0080       |
| 0010 | Total daily client money held - Segregated     | 7,051  | 6,762     | 7,174     | 10,146    | 8,708     | 9,266     | 7,451     | 10,384     |
| 0020 | Total daily client money held - Non-segregated | -  | -         | -         | -         | -         | -         | -         | -          |

### IF 06.05 Assets safeguarded and administered - ASA additional details

|      |   | Factor amount |           |           |
|------|---|---------------|-----------|-----------|
|      |   | Month t       | Month t-1 | Month t-2 |
|      |   | 0010          | 0020      | 0030      |
| 0010 | Total ASA (average amounts)   | 67,258        | 68,359    | 69,865    |
| 0020 | Of which: Fair value of financial instruments (Level 2)   | 67,258        | 68,359    | 69,865    |
| 0030 | Of which: Fair value of financial instruments (Level 3)   | -             | -         | -         |
| 0040 | Of which: assets formally delegated to another financial entity                                 | -             | -         | -         |
| 0050 | Of which: assets of another financial entity that has formally delegated to the investment firm | -             | -         | -         |

### IF 06.06 Average value of total daily assets safeguarded and administered

|      |   | Monthly averages of total daily ASA values |           |           |           |           |           |           |            |
|------|---|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|      |   | Month t-3                                  | Month t-4 | Month t-5 | Month t-6 | Month t-7 | Month t-8 | Month t-9 | Month t-10 |
|      |   | 0010                                       | 0020      | 0030      | 0040      | 0050      | 0060      | 0070      | 0080       |
| 0010 | Assets safeguarded and administered   | 63,032                                     | 64,776    | 69,055    | 69,645    | 69,131    | 67,911    | 69,636    | 73,813     |
| 0020 | Of which: Fair value of financial instruments (Level 2)   | 63,032                                     | 64,776    | 69,055    | 69,645    | 69,131    | 67,911    | 69,636    | 73,813     |
| 0030 | Of which: Fair value of financial instruments (Level 3)   | -  | -         | -         | -         | -         | -         | -         | -          |
| 0040 | Of which: assets formally delegated to another financial entity                                 | -  | -         | -         | -         | -         | -         | -         | -          |
| 0050 | Of which: assets of another financial entity that has formally delegated to the investment firm | -  | -         | -         | -         | -         | -         | -         | -          |

### IF 06.07 Client orders handled - COH additional details

|      |   | Factor amount |           |           |
|------|---|---------------|-----------|-----------|
|      |   | Month t       | Month t-1 | Month t-2 |
|      |   | 0010          | 0020      | 0030      |
| 0010 | COH - Cash trades (average amounts)                   | 549           | 472       | 370       |
| 0020 | Of which: Execution of client orders                  | -             | -         | -         |
| 0030 | Of which: Reception and transmission of client orders | 549           | 472       | 370       |
| 0040 | COH - Derivative (average amounts)                    | 36,111        | 40,789    | 41,781    |
| 0050 | Of which: Execution of client orders                  | -             | -         | -         |
| 0060 | Of which: Reception and transmission of client orders | 36,111        | 40,789    | 41,781    |

## Impaired Assets

The Company has adopted IFRS 9 "Financial Instruments". In the Disclosures the values of the exposures are presented net of the allowance for the expected credit losses ("ECL") as at 31 December 2023.

Based on the requirements of IFRS 9, the Company assesses on a forward-looking basis the ECL for debt instruments measured at Amortised Cost. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified as Stage 1. Financial assets in Stage 1 have their ECL measured at an amount



equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any.

No impairment losses have been recognised during the year ended 31 December 2023. As at 31 December 2023, the Company did not have any financial assets that were past due or impaired.

IF 06.08 Average value of total daily client orders handled

|      |   | Monthly averages of total daily client orders handled values |                   |                   |                   |                   |
|------|---|--|-------------------|-------------------|-------------------|-------------------|
|      |   | Month t-3<br>0010  | Month t-4<br>0020 | Month t-5<br>0030 | Month t-6<br>0040 | Month t-7<br>0050 |
| 0010 | Total daily client orders handled - Cash value        | 485  | 666               | 496               | 255               | 359               |
| 0020 | Of which: Execution of client orders                  |  |                   |                   |                   |                   |
| 0030 | Of which: Reception and transmission of client orders | 485  | 666               | 496               | 255               | 359               |
| 0040 | Total daily client orders handled - Derivatives       | 35,304   | 40,602            | 32,427            | 49,338            | 43,579            |
| 0050 | Of which: Execution of client orders                  |  |                   |                   |                   |                   |
| 0060 | Of which: Reception and transmission of client orders | 35,304   | 40,602            | 32,427            | 49,338            | 43,579            |

IF 06.09 K Net position risk - K NPR additional detail

|      |   | K - factor<br>requirement /<br>amount<br>0010 |
|------|---|---|
| 0010 | Total standardised approach                   | 102   |
| 0020 | Position risk                                 | -   |
| 0030 | Equity instruments                            | -   |
| 0040 | Debt instruments                              | -   |
| 0050 | Of which: securitisations                     | -   |
| 0055 | Particular approach for position risk in CIUs | -   |
| 0060 | Foreign exchange risk                         | 102   |
| 0070 | Commodities risk                              | -   |
| 0080 | Interest rate risk                            | -   |

## Operational Risk Capital Requirements

Due to the limited authorization of the Company from CySEC, the Company falls under Article 95(1) of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year.

Table 9.2: Operational Risk Capital Requirement – Fixed Overhead Approach

| Type of Risk                                | Capital Requirements<br>(€'000s) |
|---|----------------------------------|
| Operational Risk (based on Fixed Overheads) | 276                              |

Based on the above, the capital requirements due to Fixed Overheads amounts to €276 thousand.

## Market Risk Capital Requirements

The Company does not trade on own account. As a result, it does not have a trading book.

The Company calculates its capital requirements on currency risk only. As at 31 December 2023, the Company's capital requirement against currency risk amounted to €102 thousand.



## 10. Remuneration Policy

The Remuneration Policy is approved by the Board of Directors, after taking advice from the compliance function, and implemented by appropriate functions to promote corporate governance. The Board of Directors is responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policy and practices can create. Finally, this Policy adopts and maintains measures enabling them to effectively identify where the relevant persons, who can have a material impact on the services provided and/or corporate behavior of the Company fails to act in the best interest of the client and to take remedial action.

The Company's Remuneration Policy is in line with its business strategy, objectives, values and long-term interests and is designed in such a way as not to create incentives that may lead relevant persons to favor their own interest. It also incorporates measures to avoid conflicts of interest (e.g. when it comes to the remuneration of its employees, having directly or indirectly an impact on Clients' best interests) and to promote code of conduct requirements as well as promote client protection and serve Clients' best interest.

Furthermore, the Company's Remuneration Policy is consistent with sound and effective risk management and intended to deter risk-taking beyond the Company's expressed risk tolerance levels.

The Compliance Function is involved in the design process of this Policy before applying it to the relevant persons. Moreover, it verifies that the Company complies with the conduct of business and conflicts of interest requirements under the Law 144(I)/2007-2014, as amended and has access to all relevant documents.

The Company's Remuneration Policy is reviewed at least annually by the Board of Directors for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standards.

### **Remuneration Components**

The employees' total remuneration consists only of a fixed component. All employees are also eligible for a discretionary bonus remuneration to recognize each employee's contribution to the success of the firm.

**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, 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. It is, however, at the sole discretion of the Company to pay the employee salary above the minimum amount of remuneration defined by the Employment Law. Benefits provided to the relevant Company employees, such as private health insurance, are not employee performance-related.

Currently the Company does not offer **variable remuneration** to any of its employees.



Moreover, all Company employees as per their engagement contracts are not entitled for extra pay for overtime or holiday remuneration not taken. All Company employees can receive a bonus remuneration subject to management's discretion.

In addition, as at the reference date of this Report the Company does not have an 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.

### ***Performance Appraisal***

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

- the individual (quantitative as well as qualitative criteria are taken into account; annual performance evaluation and performance rating are taken into account),
- the business unit concerned, and
- the overall results of the Company.

Examples of qualitative criteria include compliance with regulatory requirements and internal procedures.

### ***Remuneration Committee:***

The Company has taken into account its size, internal organization and the nature, scope and complexity of its activities, and has established a Remuneration Committee. Remuneration practices are currently set by the Board of Directors.

The remuneration committee is composed of the following members: Ziad Abou Jamra (Executive Director), Elie Sfeir (Executive Director), Habib Maroun (Executive Director). A Mr. Nicholas Sawan (Non-Executive Director, Lebanon based).

The Committee convened in 2023 and discussed personnel appraisal matters.

### ***Risk takers and control functions***

The remuneration of material risk takers and employees in control functions is subject to stricter conditions. Once a year, the Board of Directors identifies its employees who may take material risks on behalf of the Company, such as employees whose professional activities have a material impact on their risk profile, 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 the Company's Clients.

**Table 10.1** below provides a snapshot of the aggregate remuneration, broken down by Senior Management (including the Executive Directors) and members of staff whose actions have a material impact on the risk profile of the Company.



**Table 10.1: Aggregate Remuneration by Senior Management & Executive Directors and Other Staff for the year 2023**

| Role  | No. of employees | Fixed (€'000) | Bonus (€'000) | Aggregate Remuneration (€'000) |
|---|------------------|---------------|---------------|--------------------------------|
| Senior Management (including Executive Directors) & Other Staff whose actions have a material impact on the risk profile of the Company | 8                | 388           | 36            | 424                            |
| <b>Total</b>  | <b>8</b>         | <b>388</b>    | <b>36</b>     | <b>424</b>                     |

*\*Other Staff Costs, according to the Financial Statements, of the Company, were not included.*

Due to the size of the Company, the remuneration was not broken into business area.

During 2023, no sign-on or severance payments have been made and no deferred remuneration has been awarded.

## 11. Assets' encumbrance

An asset is considered as encumbered if it is pledged or subject to any form of arrangement to secure, collateralise or credit enhance any transaction form which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, assets that require prior approval before withdrawal or replacement by other assets are considered encumbered.

During the reporting year and as at the reporting date 31 December 2023, the Company did not hold any encumbered assets.



## Annexes

### ***Annex I – Board Declaration- Adequacy of the Risk Management arrangements***

The Board of Directors is aware of the fact that in accordance with the Regulation (EU) Article 54(3) and Article 49(2) of the IFR - (EU) 2019/2033, Directive (EU) 2019/2034 and the Regulation (EU) 2019/2033 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, the Company shall disclose its risk management objectives and policies for each separate category of risk, including the risks referred under Article 435 of the above-mentioned regulation. These disclosures shall include, inter alia, a declaration approved by the management body on the adequacy of risk management arrangements of the Company, providing assurance that the risk management systems put in place are adequate regarding company's profile and strategy.

All Board members have reviewed and analysed the content of the Risk Report for 2023. The Company is privately owned, its shares are not listed and are not publicly traded; it has a clearly defined non-complex internal organization and is not large in terms of capital and number of employees with relatively non-complex nature and scope of activities and operations. The Company is not a significant CIF in line with the criteria defined by the Regulator in circular C228. Management estimated that the overall level of risk the Company should be willing to assume to achieve its strategic objectives is approximately on the level from low to low-medium.

The Board of Directors concludes that the Company's risk management framework, including liquidity risk management is adequate in relation to the Company's risk profile and strategy, and that it complies with the above Regulation.

The Board of Directors further verifies that the description of the Company's overall risk profile, included in the Report, is associated with the Company's business strategy and business model reflects the actual risks.

In addition, the management body confirms that the Risk Report provides a relevant and a comprehensive review of the Company's risk management and the information in this report has been prepared in accordance with the internal control processes of the Company. The Board of Directors approves the Risk Report for the year 2023.

The Risk Report for 2023 process as well as the results of the report will be used for future strategic decisions and will be embedded in the day to day operations of the Company.

### ***Annex II –Risk Statement***

Fidus Investments Cyprus Ltd, in the course of its business, enters into transactions which predominantly lead to Operational Risk exposure, whereas Credit and Market Risk exposures constitute only a minor portion of the total own funds requirements under regulatory Pillar 1. Fidus strives to maintain its strong Tier 1 capital ratio (31 December 2023 423.55%) that is well above the regulatory minimum requirements as defined in Article 92 CRR.

The risk management strategy of Fidus is to develop and implement effective processes to identify report, assess, measure and manage risks incurred by the business, and to comply with applicable regulatory requirements and internal guidelines associated with risk management. Fidus complies with its own risk policies.

The risk and capital management processes of Fidus have been enhanced through the inclusion of the ICARA as an integral part of these processes. The Board of Directors and Senior Management use the ICARA to maintain an effective link between Fidus' risk profile



and its capital, thus ensuring that the Firm has adequate capital to cover its risks and operate effectively within its capital framework.

In particular, the Board of Directors will review quarterly the Fidus' capital adequacy as outlined in the ICARA statement, following any significant changes to the business profile and strategy of the Firm. For instance, future credit facilities granted to clients, upgrade of license, or the introduction of new products are examples of events that will be taken into account in evaluating potential changes to the ICARA.

Moreover, the Firm performs stress testing and scenario analysis exercises as outlined in the ICARA statement in determining its capital assessment needs. Three-year projections will be assessed at least annually and recalculated following any significant changes to the business profile and strategy (including those changes outlined above). The results of the ICARA exercise provide comfort to Fidus' Board of Directors of the adequacy of its capital with its risk appetite limits, considering the projected risk profile for the next three years.

### ***Annex III – Balance sheet reconciliation***

| <b>Balance Sheet Description</b>   | <b>Amount (€'000)</b> |
|--|-----------------------|
| Share Premium, as per published financial statements   | 945                   |
| Share Capital, as per published financial statements   | 230                   |
| Accumulated Profits at 1 January 2022, as per published financial statements                             | 123                   |
| Profit & Loss for the year, as per published financial statements, as per published financial statements | (65)                  |
| Other instruments eligible as capital  | -                     |
| Intangible assets/Goodwill, as per published financial statements  | (32)                  |
| Investors Compensation Fund  | (28)                  |
| 0.3% Cash Buffer   | (4)                   |
| <b>Total Own Funds</b>   | <b>1,169</b>          |



**Annex IV – Own funds**

|  | (a)          | (b)  |
|--|--------------|--|
|  | Amounts      | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
| <b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>   |              |  |
| <b>OWN FUNDS</b>   | <b>1,169</b> |  |
| <b>TIER 1 CAPITAL</b>  | <b>1,169</b> |  |
| <b>COMMON EQUITY TIER 1 CAPITAL</b>  | <b>1,169</b> |  |
| Fully paid up capital instruments  | 230          | Audited Financial Statements 2023  |
| Share premium  | 945          | Audited Financial Statements 2023  |
| Retained earnings  | (65)         | Audited Financial Statements 2023  |
| Accumulated other comprehensive income   | 123          | Audited Financial Statements 2023  |
| Other reserves   |              |  |
| Adjustments to CET1 due to prudential filters  |              |  |
| Other funds  |              |  |
| <b>(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>   | <b>-64</b>   |  |
| <b>(-) Losses for the current financial year</b>   |              |  |
| <b>(-) Goodwill</b>  | <b>-32</b>   | Audited Financial Statements 2023  |
| <b>(-) Other intangible assets</b>   |              |  |
| <b>(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities</b> |              |  |
| <b>(-) Qualifying holding outside the financial sector which exceeds 15% of own funds</b>  |              |  |
| <b>(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds</b>                    |              |  |
| <b>(-) Other deductions</b>  | <b>-28</b>   | Audited Financial Statements 2023  |
| CET1: Other capital elements, deductions and adjustments   | -4           | 0.3% Cash Buffer   |
| <b>ADDITIONAL TIER 1 CAPITAL</b>   |              |  |



|   |  |  |
|---|--|--|
| Fully paid up, directly issued capital instruments                    |  |  |
| Share premium   |  |  |
| (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1                           |  |  |
| Additional Tier 1: Other capital elements, deductions and adjustments |  |  |
| <b>TIER 2 CAPITAL</b>   |  |  |
| Fully paid up, directly issued capital instruments                    |  |  |
| Share premium   |  |  |
| (-) TOTAL DEDUCTIONS FROM TIER 2                                      |  |  |
| Tier 2: Other capital elements, deductions and adjustments            |  |  |

**Definitions:**

- The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.
- The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.
- The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.