



GWG (CYPRUS) LIMITED

REMUNERATION POLICY

REMUNERATION POLICY	
APPROVER(S):	Board of Directors
OWNER:	GWG (Cyprus) Ltd
CONTACT PERSON:	Head of Compliance
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1. General

GWG (Cyprus) Limited (hereafter the “Company”) is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration number HE 342580. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the license number 291/16. The Company shall implement and maintain adequate remuneration policy and procedures as defined with the provisions of the Directive DI144-2014-14.

This Policy has been prepared based on and complies with the requirements of:

- the Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, which incorporates Directive 2014/65/EU (MiFID II) into national law
- Commission Delegated Regulation (EU) 2017/565 as regards organisational requirements and operating conditions for investment firms
- EU Regulation No. 575/2013: on prudential requirements for credit institutions and investment firms;
- CySEC’s Directive DI144-2014-14 (the “Directive”)
- CySEC Circular C138: on remuneration policies and practices;
- CySEC Circular C145: clarifications for Circular C138
- CySEC C240: guidelines on sound remuneration policies issued by the EBA
- CySEC Circular C031: Guidelines GD-IF-07 on remuneration policies and practices.
- CySEC Circular C168: relating to the provision of CFDs and other speculative products to retail investors under MiFID.
- ESMA/2016/1165: Questions and Answers relating to the provision of CFDs and other speculative products to retail investors under MiFID.

MiFID II imposes restrictions on incentive schemes, internal rewards and sales targets for those firms operating in both the retail and professional markets as follows:

- it requires a formal remuneration policy to be approved and overseen by senior management.
- this policy should be aimed at the alignment of remuneration structures to encourage responsible business conduct, fair treatment of clients and to avoid conflicts of interest.
- it prohibits firms remunerating or assessing the performance of staff in a way that conflicts with the clients’ best interests rule or which incentivizes staff to sell particular products or services.



2. Definitions

Remuneration means all forms of payments, or financial or non-financial benefits provided directly or indirectly by the Company to the Relevant Persons in the provision of investment and/or ancillary services to clients.

The Company's Remuneration includes:

- a. Financial Remuneration (e.g. Salaries). and/or
- b. non-financial Remuneration (e.g. career progression, training, health insurance etc).

Fixed Remuneration is any remuneration, whether monetary or non-monetary which is a component of the total remuneration received and does not vary from month to month:

- which an employee is entitled to receive regardless of the actual performance of the employee, the department and/or the company in which the employee is employed; and
- which an employee is entitled to receive on a continuous basis, normally month-by-month.

Fixed remuneration is payments or benefits determined in a way that reflect the educational level, professional experience and responsibility needed for an employee to perform a specific position/role. Fixed Remuneration is different for each position/role depending on the position's actual requirements.

Quantitative criteria: primarily means numeric or financial data that is used to determine the remuneration of a relevant person (e.g. value of instruments sold, sales volumes, establishment of targets for sales or new clients, etc.).

Qualitative criteria: primarily means criteria other than quantitative criteria. Examples include compliance with regulatory requirements (conduct of business rules) and internal procedures, fair treatment of clients and client satisfaction. It can also refer to numeric or financial data used to assess the quality of the relevant person's performance and/or service to the client e.g. return on the client's investment, very low number of complaints over a large timescale, etc.

Variable remuneration means all remuneration which is not defined as fixed.

"Relevant Persons" means any of the following: (a) a director, partner or equivalent, manager or tied agent of the firm; (b) a director, partner or equivalent, or manager of any tied agent of the firm; (c) an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under the control of the firm or a tied agent of the firm (if any) and who is involved in the provision by the firm of investment services and activities; (d) a natural person who is directly involved in the provision of services to the investment firm or to its tied agent (if any) under an outsourcing arrangement for the purpose of the provision by the firm of investment services and activities;

It generally includes persons who can have an impact, directly or indirectly, on investment and ancillary services provided by the Company and/or corporate behaviour of the Company, including persons who are client-facing front-office staff, sales force staff, and/or other staff indirectly involved



in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients. This includes persons who oversee the sales force (such as line managers), if any, who may be incentivized to pressurize sales staff, or financial analysts whose literature may be used by sales staff to induce clients to make investment decisions. Persons involved in complaints handling, claims processing, client retention and in product design and development must also be included.

3. Basic Principles

The Company's remuneration system is related with the remuneration practices of the Company for the Relevant Persons.

The same remuneration policies and practices adopted by the Company are applied to the service providers and to its staff as well, if any, when they are acting on behalf of the Company.

This Remuneration Policy establishes effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.

The Company will consider the conduct of business and conflicts of interest risks that may arise when deciding on the remuneration of a relevant person. Effective conflicts of interest management (which should include the avoidance of conflicts of interests created by this Policy) and conduct of business risk management obligations, ensure that clients' interests are not impaired by the policy and its practices in the short, medium, and long term.

The Compliance function of the Company shall be involved both in the design and review process of the Remuneration Policy as well as in the Policy's periodic assessment. Moreover, it shall verify that the Company complies with the conduct of business and conflicts of interest requirements under the Law and has access to all relevant documents.

The Management of the Company shall ensure that any changes to the Policy are properly communicated, documented, and implemented. The remuneration system shall be in line with the business strategy, objectives, values, and long-term interests of the Company.

The Company bounds not to create incentives that may lead the employees to favor their own interest, or the Company's interests to the potential detriment of clients.

4. Assessment

For the Company to demonstrate compliance with the law, all employees will be clearly informed, at the outset, of the criteria that the Company will use to determine the amount of their remuneration and the steps and timing of their performance reviews. The Company ensures that the assessment of the performance of employees will be accessible, understandable, and recorded, as follows:

- The staff appraisal will be performed by the Senior management and Board of Directors.
- The Senior Management will set a date when the annual staff appraisal takes place, at the discretion of the Senior Management and Board of Directors.
- An appraisal forms guideline is issued, for the first appraisal, establishing a uniform set of standards.



- The appraisal forms are distributed to the employees to fill in their personal details and any additional fields.
- Apart from the annual appraisal procedure the Senior Management and Board of Directors should at all times observe the performance of the employees and be ready to take corrective measures in case of deviations from the expected performance.
- In case of any outsourced activities for the provision of services the Company will check and ensure that such counterparty's remuneration policies and practices follow an approach consistent with its own policy and comply with the remuneration requirements under the applicable regulations.

5. Remuneration, Capital, and Risk Adjustment

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

The Company must ensure that any measurement of performance used to calculate remuneration components or pools of variable remuneration components:

- a. Includes adjustments for all types of current and future risks and considers the cost and quantity of the capital and the liquidity required; and
- b. Considers the need for consistency with the timing and likelihood of the Company receiving potential future revenues incorporated into current earning.

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

6. Control and Supervision

The Company will assure the control and monitoring of business quality, by:

- Use of compliance function to evaluate employees' activities align with conduct of business and conflict of interest policy of the company;
- Trend and risk analysis;
- i.e. to identify areas of increased risk when monitoring the business quality of the Company, with particular focus on high performing/earning employees, and employees whose professional activities have a material impact on the Company's risk profile.

Note: Top earners and performers are recognized as being potentially higher risk and, as a result, additional scrutiny is given to them; and information such as previous compliance results, complaints or cancellation data is used to direct such compliance checking.



To prevent potential conduct of business and conflict of interest risks from adversely affecting the interests of the Company's clients and to ensure that the Company adequately manages any related residual risk, the Company controls all relevant factors by reviewing and monitoring the following:

- The role performed by the Employee.
- The type of products offered.
- The methods of distribution (e.g., advised, or non-advised, face-to-face or through telecommunications).
- Assessment of financial data used as a measure of the quality of the service provided.
- Where potential or actual client detriment might arise because of specific features in this Policy, the Company will take action to evaluate such detriments and amend according to the specific features of this Policy to mitigate potential conduct of business and conflict of interest risks.
- The Company has appropriate and transparent reporting lines in place across the Company to assist in escalating issues involving risks of non-compliance with the company's conflicts of interest and conduct of business requirements.
- Full support of the Company's senior management or, where appropriate, Compliance function, so that necessary steps can be taken to ensure that employees effectively comply with the conflicts of interest and conduct of business policies and procedures.

Furthermore, to monitor this process and identify where the employee fails to act in the best interests of the client and to take remedial action which will ensure that the assessment is based on longer-term performance, assisting to eliminating cases of conflicts of interests, by taking the following steps:

- Employees with a low appraisal should be warned and be encouraged to improve their performance.
- Employees with a poor score for two consecutive appraisals will be closely monitored by the Senior Management where relevant, that will decide on the next steps and measure to be taken.
- The Senior Management, after reviewing the annual budgets, will decide on the level of pay rises for the employees. Pay rises may not be uniform to all employees and decided at the discretion of the Senior Management and/or Board of Directors.
- At all times the Senior Management must be able to identify situations where any employee is no longer eligible to hold position within the Company.
- The remuneration of the Compliance officer will be separately reviewed, and it will take the form of a monthly salary/fee decided by Senior Management or the Board of Directors. The method of determining the remuneration of the Compliance Officer will not compromise his/her objectivity.

7. Fixed and Variable Remuneration

When assessing performance for the purposes of determining the variable remuneration, for the employees to act in the best interest of the Company's clients, the Company considers the following factors:

- Clients' support quality;



- Assess the performance of employees based on qualitative criteria e.g. compliance with regulatory (especially conduct of business rules and, in particular, the review of the suitability of client support provided by employees to clients), internal procedures i.e. the fair treatment of clients and client satisfaction;

The outcome of their activities in terms of compliance with the conduct of business rules and, in general, with the duty to care about the best interests of their client.

The Company's calculation of the fixed and variable remuneration of employees will be based on a qualitative criterion. The variable component of the remuneration based on qualitative criteria will allow the Company to closely reflect the desired conduct of employees to act in the best interests of the clients.

The total remuneration of staff consists of fixed and variable components. The fixed component of the Company is set at 100% of the total remuneration and represents a high proportion of the total remuneration paid; this will allow the employees to focus on the qualitative aspects of their work in the short, medium, and long term. The variable remuneration of the Employees will therefore be based on the annual appraisals formed by the Senior Management and/or Board of Directors, and based on the outcome of such appraisals, a variable remuneration will be decided upon at the discretion of the Senior Management and Board of Directors.

However, the shareholders of the Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided that the overall level of the variable component does not exceed 200% of the fixed component of the total Remuneration for each individual. Any approval of a higher ratio will be carried out in accordance with the procedure laid down in Article 21(g)(ii) of CySEC's Directive DI144-2014-14.

8. Remuneration Committee

According to the Company's size, internal organization and the nature, scope and complexity of its activities, as well as the provisions of CySEC Circular C228 it is not necessary for the Company to establish a Remuneration Committee.

However, the Company's Senior Management will monitor such thresholds and if deemed necessary the Company shall proceed with the establishment of the Committee.

9. Record-keeping and Review of the Policy

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

The Company's Compliance Function in conjunction with Senior Management perform annual reviews of the Policy to ensure that the Policy complies with the relevant legislation and ensure that its applicability and alignment with industry's remuneration standards.

In case conflicts of interest arise because of the remuneration policy practices and procedures, the Company shall immediately take measures to amend the specific procedures and measures to



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mitigate any risks. For any possible amendments, the Board of Directors shall review and approve the Policy.

Information on the Remuneration Policy and relevant arrangements are provided to the Company's annual disclosures, in the context of "Disclosures and Market discipline obligations (Pillar 3 Disclosures), as required by the relevant Directive. The Disclosure and Market Discipline Report (the "Report") is uploaded on the Company's website, by the end of April of each financial year.