FINVEO

POLICY ON IDENTIFICATION, MEASUREMENT, ASSESSMENT AND RISK MANAGEMENT

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Contents

INTRODUCTORY PROVISION 3
RISK MANAGEMENT ORGANIZATIONAL STRUCTURE 3
DETERMINATION OF RISK PREFERENCE 4
IDENTIFICATION OF POSSIBLE RISKS 5
TYPES OF RISKS AND THEIR MEASUREMENT 6
1. MARKET RISKS, THEIR MEASUREMENT AND RISK MANAGEMENT 6
2. CREDIT RISK, ITS MEASUREMENT AND RISK MANAGEMENT 7
3. LIQUIDITY RISK, ITS MEASUREMENT AND RISK MANAGEMENT 8
4. OPERATIONAL RISK, ITS MEASUREMENT AND RISK MANAGEMENT 9
5. EXPOSURE RISK, ITS MEASUREMENT AND MANAGEMENT 10
6. OTHER RISKS 10
CAPITAL ADEQUACY 11
INTERNAL CONTROL SYSTEM 12
TRANSITIONAL AND FINAL PROVISIONS 13

INTRODUCTORY PROVISION

Article 1.

With this Policy, the Investment Company Finveo JSC (hereinafter: The Company) appoints procedures for the identification, measurement, and assessment of risks, as well as risk management, in accordance with regulations, standards and rules of the profession.

Under risks are considered to be risks in which The Company is exposed in its operating transactions, which can lead to losses, causing damage to clients or participators in transactions with the Company.

Risk management is a set of actions and methods to determine, measure and monitor risks, including reporting on risks to which The Company is exposed or could be exposed in its operations. Main purpose of risk management is to identify, measure, limit and minimise expected and possible risks for The Company.

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

Article 2.

The Company ensures functional and organizational separation of the risk management activities and regular business activities of the Company.

In risk management, this Policy determines, based on internal structure of the Company, the following organizational structure, with allowances and responsibilities:

Executive Director:

- Managing with Company,
- Conducts the Policy on Identification, measurement, assessment and risk management,
- Manages the risk management system and process,
- Checks on risk management reports, compliance with the Law, internal audit and others.

Internal Audit:

- Conducts control in the Company,
- Advises on possible risks and determines measures to reduce risks
- Gives feedback
- Approves correctness
- Informs the Administration on potential risks

Compliance Department:

- detects and eliminates possible risks that may lead to non-fulfilment of the investment company's obligations set out in the Capital Market Act.
- Submits a report to management on compliance and compliance with the Law.

- Detects and eliminated conflicts and potential conflicts of interests in the Company.

Risk Manager

- defines business risks that may result in financial loss
- defines risk monitoring measures and how they can be reduced
- Informs the Management Board of the Company

Other departments of the Company:

Conduct the Policy on identification, measurement, assessment and risk management and inform directors on potential risks.

All employees of the Company, Management and the Board of Directors are obliged to be conscientious and responsible in performing their business tasks and consider and timely warn of any potential risks that may arise and which The Company would face in performing business activities, adhering to provisions of this Policy.

The company regularly provides:

- analysis of certain risk tolerance to all participants complies with the provisions of the Policy on the identification, measurement, assessment, and risk management,
- appropriate education of employees,
- independence of internal audit from other departments,
- independence of external audit from the Board of Directors and management of the Company,
- that the external audit is conducted by a reputable auditing company with years of experience and authorities with which The Company will concludes the Contract.

DETERMINATION OF RISK PREFERENCE

Article 3.

The tendency to take risks is a level of risk which The Company considers acceptable to take in achieving its business strategy and goals in the existing business environment.

The tendency to take risks includes determining the intention to take risks as well as determining risk tolerance in terms of determining the level of risk that the Company deems acceptable.

Determining the tendency to take risk arise from the nature of The Company's business, key business process / activities, predominant and projected economic and market conditions, their impact key processed / activities of the Company, then from the structure of positions within the book of positions which are not traded with, availability of IT support and automatization of key processes etc.

In accordance with the Risk Management strategy and taking into account the business strategy and business aims, the Company determines a moderate (average) tendency to take risks. A moderate (average) tendency to take risks is reflected in the Company's objective that the Company's total equity in every moment meets the supervisory body requirements on exposure to risk.

IDENTIFICATION OF POSSIBLE RISKS

Article 4.

The companies conduct the risk identification based on internal and external sources of information.

Internal information is collected from sources such as: internal information system, financial accounting, plans, other internal documents of the Company.

In obtaining external information, the Company uses sources such as: the system of the Montenegro Stock Exchange or other market organizers, the system of the Central Depository and Clearing Company, the registers of the Capital Market Authority, the Central Register of Business Entities, rating agencies, business reports, public announcements, media, legislation and other external sources.

The Company and the Company's employees are required to view risk identification as an ongoing process.

Methods of risk identification used by the Company are as follows:

a. Environment analysis based on information from the media, regulations etc.,
b. Competition analysis,
c. Financial market analysis,
d. Analysis of own financial indicators,
e. Assessment of the financial and business position of the Company, which includes:
   - assessment of the balance sheet of the Company,
   - assessment of future operating and other income and expenses of the company,
f. Analysis of business processes and critical points in business processes,
g. List of critical operational points in business processes,
h. Analysis of the risk management sector in the placement of products / services / instrument markets
i. Analysis of historical information and experiences,
j. Regular colleges of the Management Board,
k. Reports of control function,
l. Other internal records and reports

Article 5.

The Board of Directors is convinced that it is not possible to fully and precisely predict all possible risks in advance, but the aim of this Policy is to create guidelines for identifying risks and formalizing them through the Policy. In its operations, the Company is exposed to the following risks in particular:

- market risks,
- credit risks,
- liquidity risk,
- operational risks,
- risks of exposure to a single person or group of related parties
- other risks

Risk assessment of investing in individual financial instruments and assesses business relationship assessment with its clients using various methods and analysis the most important of which are:

- comparative analysis (with similar companies and best one in that branch) liquidity analysis, profitability analysis, gross profit margin rate, yield margin rate, rate of return on total operating assets, rate of return on own funds, rate of operating profit, etc.),
- operational efficiency analysis (customer turnover ratio, inventory turnover ratio, supplier turnover ratio, net working capital turnover ratio, fixed assets turnover ratio, turnover ratio of total business asset, etc.),
- analysis of growth potential (growth rate of total revenues, growth rate of sales revenues, growth rate of net profit, growth rate of operating profit, etc.)
- analysis of the financial structure (ratio of borrowed to total and own sources, ratio of long-term debt to own sources, ratio, ratio of long-term debt to total capitalization, coefficient of covering fixed expenses in the name of interest, etc.).
- Other generally known and accepted methods for assessing creditworthiness. A large risk exposure of an investment firm to a client or group of related clients is an exposure of the investment firm's liquid capital of 10% or more. Great exposure to the risk of an investment company to the client or group of connected clients' exposure to liquid capital investment company in the amount of 10% or more. The investment firm's risk exposure to a client or group of related clients may not exceed 25% of the investment firm's liquid capital. If exposure to the risk of an investment firm exceeds the aforementioned limits, the investment company shall notify the Capital Market Authority of the risk without delay.

1. MARKET RISKS, THEIR MEASUREMENT AND RISK MANAGEMENT

Market risks are price change risk, counterparty settlement risk and counterparty risk, risk of exceeding allowed exposures, currency risk and commodity risk.

Price change risk is the risk of loss arising from a change in the price of a financial instrument or, in the case of derivative financial instrument, from a change in the price of the basis from which that instrument arises.

Price change risk is divided into:

1) general price risk is the risk of loss arising from a change in the price of a financial instrument due to changes in interest rates or major changes in the capital market, regardless of any specific characteristics of that financial instrument,

2) specific risk of price change is the risk of loss arising from the change in the price of a financial instrument due to fact related to the issuer or in the case of derivative financial instrument, facts related to the issuer of the underlying financial instrument.

The risk of settlement may arise in the situations of concluding a transaction of purchase of a financial instrument without coverage on the client's account. The exposure to settlement risk is measured as the difference between the contract price for a particular debt, equity or commodity instrument and its current market value, but only when that difference constitutes a loss to the Company.

The counterparty risk is loss risk that arises from the default of the counterparty based on positions in the trading book. It is measured for derivative financial instruments, repo agreements, etc.

Currency risk is the risk of loss arising from changes in exchange rates. When the investment is related to foreign countries, the Company takes into account the fact that changes in the exchange rate affect the change in property prices as well. Currency risk refers to all financial instruments that are in a currency other than the domestic currency.

Commodity risk is the risk of loss arising from a change in the price of goods. Direct exposure to commodity risk is small so the Company does not measure this level of risk at the Company level, but from time to time when assessing the impact of changes in the price of certain financial instruments whose issuers have this level is significant.

2. CREDIT RISK, ITS MEASUREMENT AND RISK MANAGEMENT

Credit risk is the risk of loss that occurs due to non-fulfilment of a financial obligation of a person towards the Company.

Credit risk is reflected in the fact that the issuer of a financial instrument is unable to pay contractual interest or principal on its debt obligations.

If the Company holds debt securities issued by the government, then it does not apply special measures for measuring credit risk, since they apply to instruments with the lowest credit risk but also the lowest yield.

If the Company owns corporate debt instruments / bonds, then it aims to measure the amount of credit risk because it is significant.

In assessing the credit risk of individual financial instruments, the Company shall use the ratings of rating agencies if applicable to a specific credit risk rate. If not applicable, the Company will use its own techniques for assessing the creditworthiness of both financial instruments and clients, which are primarily internally developed fundamental analysis techniques for assessing the creditworthiness of both financial instruments and clients, which are primarily internally developed fundamental analysis techniques. The method of fundamental analysis involves assessing the creditworthiness of a security or client by examining economic, financial and other qualitative and quantitative factors including macroeconomic factors (as well as factors of overall economy and industrial business conditions) and factors specific to individual companies (financial condition assessment).

The Company assesses, based on the analysis of the creditworthiness of its clients and the regularity of payment of obligations, whether it is justified to continue cooperation with clients who do not settle their obligations on time.

The Executive Director / Board of Directors may decide to terminate the cooperation and activate the security measures.

3. LIQUIDITY RISK, ITS MEASUREMENT AND RISK MANAGEMENT

Liquidity risk is the risk of the possibility of negative effects on the financial result and capital of the Company due to the inability of the Company to meet due obligations.

The Company measures liquidity on a daily basis by comparing the balance of its liquid assets and current liabilities.

The Company manages current and future cash inflows and outflows through reporting on a daily basis to individuals on the state of liquid assets, which may affect the same when performing its business tasks. The main causes of liquidity risk are:

- Mismatch of maturities of receivables and liabilities with cash flows
- Insufficient liquidity reserves
- Exceptional market situations that may cause increased liquidity needs
- Situations of reduced market liquidity in which there is a risk of impossibility of marketability of positions in securities, or their sale is possible with a large realized loss.

In accordance with the risk management policy, the Board of Directors of the Company adopts an annual plan with an overview of expected revenues and expenditures by months, i.e., related inflows and outflows, and controls current cash inflows and outflows in all currencies monthly.

Expected cash inflows are considered to be the inflows from commissions for provided investment services, interest income and other inflows that are expected to be realized in a certain period.

Expected cash outflows are considered to be outflows related to the provision of investment services, liabilities to suppliers, employees and other outflows that are expected to be realized in a certain period. The investment firm shall calculate the amount of liquid capital in cash, risks, exposure and qualifying holdings on a daily basis.

4. OPERATIONAL RISK, ITS MEASUREMENT AND RISK MANAGEMENT

Operational risk is the risk of loss due to errors, interruptions or damage that may occur due to inadequate internal procedures, actions of persons, systems or external events, including the risk of changes in the legal framework. The following overview provides a matrix of events that are a source of operational risk by type of cause:

Cause		Event Category
A	Human Factor	Unauthorized activities; Employee theft and fraud; Internal security system; Employee relations; Diversity and discrimination; Inappropriate business or market practices; Inadequate employment policy.
B	Processes	Work environment safety; Convenience, transparency and confidentiality; Errors in products and services; Selection, sponsorship and exposure to the client; Advisory activities; Accidents and general safety; Process management, transaction capture and execution; Monitoring and reporting; Client reception and adequacy of documentation; Client account management
C	Systems	Inadequacy, inefficiency, malfunction or failure of IT systems, Inadequate IT security.
D	External factor	Theft and fraud (by third parties); External security system; Other intentional activities; Natural disasters; Disasters caused by human factor; Political and legal risk (Public services / information) provider unavailability; Business partners, Sellers, and suppliers Power outages, and the like.

The Company aims to increase security measures as well as by providing adequate business premises to provide physical protection of the room, equipment and documentation and to reduce unauthorized activities to a minimum. By establishing a system of internal procedures as well as a system of internal control, the Company ensures compliance with internal decisions and procedures at all levels of management. By properly selecting employees who have the appropriate qualifications, knowledge and experience with authorized investment managers, the Company ensures the quality of services it provides, while taking into account employee relations, diversity and reduction of discrimination.

By selecting, constantly improving and developing new possibilities of the information system, the Company provides adequate information support given the scope and complexity of services provided by the Company. In addition, the Company provides effective control and protection of IT systems, especially protection of hardware and software from unauthorized access to data, provides adequate training of employees regarding the use of this system, provides every person who has access to the system must have an username and password, and availability of only the functions necessary for the performance of that person's work, as well as other activities necessary for the reliability and accuracy of net data.

The Company applies and regularly updates accounting procedures in accordance with international financial reporting standards and local regulations and laws governing accounting, which enable timely submission of financial statements as a true and fair view of the company's financial situations.

The risk of changing the legal framework is posed by the Company for a large part of the risk, as there are constant changes in legal regulations in the process of harmonization with EU legislation. Changes in legal regulations may have a special impact on the Company in terms of internal organizations, trading systems, financial requirements, requirements for the minimum number of employees and types of services, etc.

Taking into account all possible types of operational risk and established systems for their minimization and avoidance, the relevance of operational risk for the Company is low.

The Company adopts a contingency plan and a business continuity plan that ensures business continuity and limits losses in cases of significant disruption or business interruption.

As an instrument of protection against operational risk, the Company may use, according to its own assessment and availability, various products of insurance companies.

5. EXPOSURE RISK, ITS MEASUREMENT AND MANAGEMENT

The Company's exposure to one person is the total amount of receivables related to that person or group of related parties (loans, investments in debt securities, equity investments and participations, issued guarantees and avails, etc.).

A group of related parties, in terms of the previous paragraph, are two or more legal or natural persons who, unless proven otherwise, represent one risk for the Company and:

- one of these persons has direct or indirect control over the other person,

- are interconnected in such what that there is a high probability that due to a change in the business and financial condition of one person there may be a change in the business and financial condition of another person, and there is a possibility of transferring loss, profit or creditworthiness.

-are interconnected as family. The risk of exceeding the allowed exposures is the loss risk due to exceeding the exposure to one person or group of related parties based on the position from the book of trading.

6. OTHER RISKS

Risk of competition

The risk of competition is the risk that there will be a decrease in profitability or a loss in the Company's operations due to the emergence of potential new competitors, the emergence of substitutes for services and changes in the needs of clients with whom the Company does business.

In its work, the company strives to reduce the impact of competition risk to a minimum with the quality of its offer as well as the offer tailored to the needs of its clients.

Financial crisis and declining demand for service

A financial crisis is a situation in which the value of financial institutions or assets declines rapidly. It is often associated with panic in which investors sell off assets or withdraw money from savings accounts with the expectation that the value of those funds will fall if they remain within financial institutions.

The financial crisis can also come as a result of overvalued assets and can be exacerbated as a result of the behaviour of individual investors. A rapid series of selloffs can further lead to lower property prices or more savings withdrawals. If left unchecked, the crisis could cause the country's economic activity to plummet into recession or depression. Given that it most often comes as an external factor, the Company is not able to influence the occurrence of this risk, but its activities will seek to adequately adjust and reduce the negative effects of financial crises on its operations.

CAPITAL ADEQUACY

Article 6

In addition to meeting organizational requirements for the consistent application of risk management strategies and policies, the Company determines and consistently applies administrative and accounting procedures for an effective internal control system, as follows:

1) to calculate and verify capital requirements for these risks,
2) to identify and monitor large exposures, changes in large exposures and to verify the compliance of large exposures with the Company's policies in relation to that type of exposure.

Article 7.

The Company performs its operations in such a way that it is permanently capable of fulfilling its financial obligations (solvency principle) and of fulfilling due financial obligations in a timely manner at all times (liquidity principle).

Article 8.

The Company maintains the Company's capital to always correspond to the amount of capital required to cover its liabilities and possible losses due to the risks to which the Company is exposed in its operations and in order not to harm clients or participants in transactions with the Company. The Company's capital must be greater than or equal to the sum of capital requirements for market risks, credit risk and operational risk.

Article 9.

The Company calculates the amount of capital, risks and exposure in the manner prescribed by the act of the Authority. The Company applies all procedures prescribed by the Capital Market Authority for the identification, measurement and assessment, as well as the management of these risks.

INTERNAL CONTROL SYSTEM

Article 10.

The internal control system consists of:

1. organizational structure that enables risk management, and which is defined in the acts of the Company:
    - separation of individual functions within the Company in the sense that individual employees cannot perform all phases of a business process,
    - permanent security of electronic data through back-up,
    - protection of access to data as much as possible,
    - permanent control of data security and functionality,
    - definition of jobs and competencies and
    - organization of accounting and payments.
2. Internal controls.

The Company monitors and evaluates the suitability, comprehensiveness and effectiveness of adopted risk management strategies, policies and procedures, as well as the adequacy and effectiveness of the envisaged measures to address possible deficiencies in risk management strategies, policies and procedures, including failures of relevant persons.

The company eliminates and minimizes all risks wherever possible (elimination of credit, foreign exchange risk, etc.). The Company's Management Board and the Internal Controller continuously enable employees to more easily check important processes in risk management.

The independent auditor performs external audit of the financial statements of the Company and the funds for each calendar year and, among other things, controls the management of certain risks by the Company in order to maintain the Company's ability to continue its operations indefinitely in the future.

TRANSITIONAL AND FINAL PROVISIONS

Article 11.

This Policy, as well as it's amendments, enter into force and apply after obtaining the license for the provision of investment services of the Company by the Capital Market Authority. This Policy is reviewed annually and updated as necessary.

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