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CONVERA EUROPE FINANCIAL S.A

Annual disclosure by investment firm class 2

in accordance with part six of investment firm regulation

Contents

Overview

Purpose

The information provided herein complies with Articles 46-53 of Part 6 of the Investment Firms Regulation - Regulation (EU) 2019/2033 of the European Parliament and Council (hereinafter referred to as "IFR"). These disclosures aim to ensure transparency for investors and the broader market. In line with IFR requirements, this document outlines Convera Europe Financial S.A.'s (hereinafter referred to as "Convera" or "the Company") risk management objectives and policies, governance structures, own funds levels, own funds requirements, remuneration policies and practices, and, where relevant, its investment policy and exposure to environmental, social, and governance risks.

Scope

Convera is classified as a Class 2 Investment Firm, as per its authorisation by its regulator, the Luxembourg *Commission de Surveillance du Secteur Financier* (hereinafter referred to as "CSSF" or "the Regulator"). Therefore, Convera is required to provide the information specified in part 6 of IFR.

Disclosures are made in accordance with the requirements of the IFR disclosures. It will be made at least on an annual basis and published on corporate website https://Convera.com/fr-lu/

Company Overview

Convera, a Société anonyme registered in Luxembourg, was incorporated on February 10, 2022. Its registered office is at 6B, rue du Fort Niedergrünewald, L-2226 Luxembourg. The Company operates seven branches in Austria, Germany, France, Spain, Italy, Poland, and the Czech Republic, as of December 31, 2023.

Headquartered in Luxembourg, Convera provides foreign exchange ("FX") hedging solutions to small and medium-sized enterprises ("SME"), mid-sized corporates, and some financial institutions through its headquarters in Luxembourg as well as its branches. These products are also offered on a cross-border basis to various countries in the EU.

The Company's hedging solutions, including FX Forwards and FX Options, are offered over the counter (OTC) on both an advised and non-advised basis. These products are classified as financial instruments; accordingly Convera provides investment services under MiFID II regulations.

Licenses

Convera started its activities on July 1, 2023 following receipt of its license as an investment firm from the CSSF (such license approval having been completed on 24 April 2023.

Convera is authorised to provide the following services and investment activities:

1. Reception and transmission of orders in relation to one or more financial instruments.

2. Execution of orders on behalf of clients.

3. Dealing on own account.

5. Investment advice.

Auxiliary services:

1-Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management

Client Segments and Acquisition Channels

Convera's business model focuses on corporate customers of all sizes, including SMEs with hedging needs in multiple currencies for trade-related purposes. Convera offers clients a range of hedging products, including closed and open FX forward contracts, vanilla and structured FX options,.

Customers are acquired through three primary channels:

- Field sales professionals.
- Digital lead acquisition.
- Referral partnerships.

Risk management objectives

The prudent taking of risk in line with Convera's business strategy is fundamental to future growth of the Convera Hedging business. The Convera business operations are based on conscious and disciplined risk-taking. Independent risk management, compliance and audit processes with proper management accountability are also critical to the interests and concerns of the stakeholders. The Convera risk culture is supported by the following principles:

- **Clearly defined risk ownership**, where people leading an area/department review their processes and environment to identify vulnerabilities and risks and define appropriate mitigating actions, is ensured by **a robust three lines of defence** model that articulates risk ownership across the organization: the first line consists of customer-facing and servicing functions, complemented by effective oversight from risk and control functions as the second line, and Internal Audit providing a strong and independent assurance program as the third line.
- Effective **risk management governance** that sets out authorities and responsibilities for taking and managing risks and which relies upon robust risk escalation practices.
- A **holistic view on risk**, considering all financial and non-financial risks across the Organization, with Global Risk Office serving as "single source of truth" for risk reporting and risk modeling
- A **risk appetite statement** that sets out the types and levels (targets, tolerances) of risk Convera is willing to take and helps employees make informed decisions as they execute on the business plan;
- **Active monitoring** of risks and take mitigating actions where they fall outside accepted levels;
- Resilient **risk controls** that promote multiple perspectives on risk and reduce the reliance on single risk measures.

Risk management Principles

The risk strategy of Convera which implements the vision for risk management within the company is based on core principles

Convera takes risks only consciously. Convera is in business to provide value-added services to clients, and its success is dependent on their success over the long term as Convera deepens its relationships with clients by fulfilling their needs for financial products and services. Convera does not aim at offering products that fail to serve the clients' best interests or are inappropriate for their needs and circumstances.

Convera applies anticipatory, forward-looking view on risks: Risks are not only being considered from a historical perspective but also being anticipated in a changing environment. Data analysis and modeling combined with deep knowledge of markets, regulatory framework and corporate setup play a crucial role in anticipating risks.

Convera takes only risks which it understands. Convera is willing to take risks which it understands and avoids or minimizes risks when it has no competitive advantage. Convera will ensure that, when it enters new markets or new geographies, or rolls out new products, it has the required risk infrastructure in place to manage the risks, or the required resources to implement it. Convera has a risk-intelligent environment that governs all relevant dimensions of risk, including economic, geopolitical, and regulatory risks. In doing so, Convera will remain true to its risk philosophy of taking balanced risks (risk/return view).

Within Convera, risks are made transparent with clear accountability. Business decision makers have primary accountability for risk, while risk management functions are responsible for providing an enterprise-wide view of risk-taking activities to: (a) monitor adherence to the overall risk appetite and tolerance; (b) ensure appropriate focus on the identification of new and emerging risks; and (c) ensure the effective and more consistent application of risk management practices by issuing (and monitoring adherence to) Convera-wide policies and procedures, risk exposures, and challenging key business proposals.

Convera views risks as integrated. While risk types need different models there are numerous interdependencies and connections between risk types, and there are risks which do not fit neatly into any risk type. Convera also assesses risks outside the models (i.e. qualitative assessment) and provides a holistic view to risks business is or can be exposed to.

Convera treats risks consistently. Convera applies consistent methods towards identifying, assessing, managing and controlling risks. Risk taxonomy is aligned and integrated across all business units.

Convera communicates risks transparently. Risk awareness, risk ownership and open escalation, communication and management of risks are central to the risk strategy of Convera and enhance the robustness and the reactiveness of the risk framework to changes in internal and external factors.

Risk Management Policies

Convera's risk function designed the following key policies and key risk management documents that were submitted to and approved by Convera's board of directors ("BoD") in 2023:

- Risk Strategy
- Risk Appetite Statement 2023
- Risk Identification and Assessment Policy
- Outsourcing Oversight Policy
- Credit Policy
- Liquidity Risk Policy
- Operational Risk Policy

Concise risk statement approved by the investment firm's management body

Convera, operating from Luxembourg as well as through its branches in seven European countries, provides hedging solutions linked to foreign exchange payments to small and mid-sized corporates and financial institutions. Consequently, Convera is significantly exposed to various inherent risks, including credit and counterparty risks, compliance risks, outsourcing and vendor risks, and ICT and cybersecurity risks.

Convera's strategies and processes for managing these risks include a comprehensive Risk Appetite Statement ("RAS") that defines relevant risk indicators, assessment methodologies, and internal tolerance levels. This RAS is reviewed annually and approved by the BoD, with monthly monitoring by Convera's Authorized Managers. Convera's risk management framework encompasses governance structures, such as the Risk & Compliance Committee and Operating Committee, and a robust policy framework that includes policies for risk identification and assessment, credit risk, outsourcing oversight, and operational risk. Specific risk assessment processes, such as financial crime and ICT risk assessments, are in place to ensure thorough risk evaluation. Additionally, Convera's capital and liquidity requirements frameworks, including the annual Internal Capital Adequacy and Risk Assessment (ICARA) and quarterly K-factor calculations, ensure sound financial management. This comprehensive approach succinctly describes Convera's overall risk profile, aligning with the company's business strategy and ensuring effective risk management.

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Governance

Each BoD member is selected after evaluating the candidate's relevant industry experience and expertise in line with the organization's mission and goals.

Convera's BoD holds ultimate responsibility for governance and oversight of the Company's business. The BoD ensures Convera meets its purpose, satisfies its obligations, and fulfills all regulatory requirements. The BoD meets at least quarterly and more frequently as needed.

Name of the board ' member	**Management Title**	**Number of other exercised mandate**	**Is the company an entity of the group to which the investment firm belongs?**
Patrick Gauthier	Chairman and Non-Executive Director of CEFSA and CEO of Convera Group	1	Yes
Tristan van der Vijver	Executive Director, Authorised Manager, CEO of CEFSA, & Head of Risk & Compliance Convera Group	2	Yes
Massimoluca Mattioli	Independent Non-Executive Director	1	No

Risk within Convera and its branches is managed through the Risk Management organization and the Convera Risk & Compliance Committee. This committee advises the Authorized Management on setting risk appetite parameters and making specific risk decisions regarding clients and client activities. The Risk & Compliance Committee promotes and upholds the effectiveness of Convera's Risk & Compliance Program and provides guidance to all functional areas of the Company. The committee meets as frequently as required and no less than 6 times a year. Representatives from both Convera and the global group serve in a consultative role to ensure cross-functional and enterprise-wide considerations are addressed.

In 2023 from July to December, the committee was held 5 times on a monthly schedule

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Own funds

IF 01.00 - OWN FUNDS COMPOSITION (IF1)		
Rows	**Item**	**Amount**
		0010
0010	**OWN FUNDS**	**24,971,625**
0020	**TIER 1 CAPITAL**	**24,971,625**
0030	**COMMON EQUITY TIER 1 CAPITAL**	**24,971,625**
0040	Fully paid up capital instruments	72,559,959
0050	Share premium	
0060	Retained earnings	**(6,274,616)**
0070	Previous years retained earnings	-6,274,616
0080	Profit eligible	
0090	Accumulated other comprehensive income	161,747
0100	Other reserves	55,452
0110	Minority interest given recognition in CET1 capital	
0120	Adjustments to CET1 due to prudential filters	
0130	Other funds	
0140	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	**(41,530,917)**
0150	(-) Own CET1 instruments	
0160	(-) Direct holdings of CET1 instruments	

0170	(-) Indirect holdings of CET1 instruments	
0180	(-) Synthetic holdings of CET1 instruments	
0190	(-) Losses for the current financial year	-6,673,175
0200	(-) Goodwill	-15,278,290
0210	(-) Other intangible assets	-19,579,452
0220	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	
0230	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	
0240	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	
0250	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment	
0260	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	
0270	(-) Defined benefit pension fund assets	
0280	(-) Other deductions	
0290	CET1: Other capital elements, deductions and adjustments	
0300	**ADDITIONAL TIER 1 CAPITAL**	
0310	Fully paid up, directly issued capital instruments	
0320	Share premium	
0330	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	
0340	(-) Own AT1 instruments	
0350	(-) Direct holdings of AT1 instruments	
0360	(-) Indirect holdings of AT1 instruments	
0370	(-) Synthetic holdings of AT1 instruments	

0380	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment	
0390	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment	
0400	(-) Other deductions	
0410	Additional Tier 1: Other capital elements, deductions and adjustments	
0420	**TIER 2 CAPITAL**	
0430	Fully paid up, directly issued capital instruments	
0440	Share premium	
0450	(-) TOTAL DEDUCTIONS FROM TIER 2	
0460	(-) Own T2 instruments	
0470	(-) Direct holdings of T2 instruments	
0480	(-) Indirect holdings of T2 instruments	
0490	(-) Synthetic holdings of T2 instruments	
0500	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	
0510	(-) T2 instruments of financial sector entities where the investment firm has a significant investment	
0520	Tier 2: Other capital elements, deductions and adjustments	

The financial statements are submitted to the regulator and are prepared in accordance with LUX GAAP. However, the audited financial statements follow IFRS accounting rules.

Convera International Interco Limited, the direct parent of CEFSA, injected capital into the company consisting of fully paid up (in cash) ordinary share capital and share premium. All of the capital injected qualifies as CET1 (Core Tier 1 equity). CEF will only consider CET1 instruments in accordance with Article 9 Investment Firm Regulation (EU) 2019/2033 *a. Paid in capital (+premium)*

b. Audited Retained earnings (in case of Profits plus current year Losses if any)

as eligible own funds for Pillar I (regulatory capital) and Pillar II (internal statutory capital) view. Any Intangible Assets will be deducted from the own funds available to get to the eligible own funds resources. [1]

The excess of cash, over the minimum Own funds requirements (including regulatory and internal buffers), can be used in an intercompany cash pooling for the purpose of treasury management. The transferred cash to CUK remain available on demand to CEF whenever the need arises.

The company only has Common Equity Tier 1 capital that consist of fully paid ordinary shares of 1 EUR each.

There are no restrictions applied in accordance with this Regulation.

Own funds requirements

CEFSA assesses the adequacy of its internal capital to support current and future activities through a comprehensive approach under the Investment Firm Regulation (IFR). The basic own funds requirement is determined as the higher of the following:

- **Permanent Minimum Requirement (PMR):** The minimum amount of own funds that must be held at all times.
- **Fixed Overhead Requirement (FOR):** Calculated as one quarter of the firm's annual fixed expenditure, less allowable deductions.
- **K-Factor Requirement (KFR):** Introduced to calibrate the own funds needed to address the sources of harm posed by the firm. K-factors are quantitative indicators representing the potential harms to clients, the market, and the firm itself. The total KFR is the sum of the Harm to Client, Harm to Market, and Harm to Firm K-factors.

In addition to the basic own funds requirement, CEFSA calculates its additional own funds requirement (Pillar II) to mitigate residual sources of harm during ongoing operations. This involves identifying any residual harms not captured by the basic requirements and quantifying the own funds needed to offset the impact of these potential harms.

CEFSA is classified as an Investment Firm Class 2 and is therefore required to produce an Internal Capital Adequacy and Risk Assessment (ICARA) report annually, in addition to meeting the basic own fund requirements.

The ICARA report assesses the residual sources of harm posed by the firm and ensures that additional own funds are held to mitigate these harms, in compliance with Directive (EU) 2019/2034 and Regulation (EU) 2019/2033, EBA/RTS/2022/07. This framework allows investment firms to evaluate, assess, and ensure they have adequate capital to cover their material risks.

To maintain the relevance of this assessment to current business operations, Convera conducts holistic materiality assessments of residual harms annually. This continuous, structured process involves detailed due diligence to identify all material harms to which Convera is, or could be, exposed through its business activities.

Following the ICARA assessment conducted in 2024, based on 2023 figures, which evaluated potential harms to the firm, the market, and its clients, the Board of Directors has determined that the business is and will remain adequately capitalized over the next three years, even under stressed market conditions.

The Board confirms that CEFSA is strategic to the Convera Group and will receive support during times of stress if necessary. Additionally, CEFSA has demonstrated sufficient own funds and liquidity, effective risk management, and monitoring. The ICARA process concludes that the business forecasts for the next three years indicate revenue growth and sustained profitability.

The Board ensures that CEFSA has robust risk management structures and processes in place to identify, measure, mitigate, and manage risks. The Board remains vigilant about emerging risks and is committed to fostering a risk-aware culture across the company, continuously improving risk management practices.

Finally the ICARA report was submitted to the regulator for review as part of the Closing Document 2023 in line with CSSF Circular Letter dated April 4th 2024.

IF 04.00 - TOTAL K-FACTOR REQUIREMENT CALCULATIONS (IF4)

Q4 2023

		Factor amount	K-factor requirement
Rows	**Item**	**0010**	**0020**
0010	**TOTAL K-FACTOR REQUIREMENT**		**11,599,095**
0020	**Risk to client**		**9,495**
0030	Assets under management		
0040	Client money held - Segregated	1,805,079	7,220
0050	Client money held - Non - segregated		
0060	Assets safeguarded and administered		
0070	Client orders handled - Cash trades		
0080	Client orders handled - Derivatives Trades	22,751,542	2,275
0090	**Risk to market**		**749,465**
0100	K-Net positions risk requirement		749,465
0110	Clearing margin given		
0120	**Risk to firm**		**10,840,135**
0130	Trading counterparty default		10,835,128
0140	Daily trading flow - Cash trades		
0150	Daily trading flow - Derivative trades	50,068,712	5,007
0160	K-Concentration risk requirement		-

IF 03.00 - FIXED OVERHEADS REQUIREMENT CALCULATION (IF3)

		Amount
Rows	**Item**	**0010**
0010	**Fixed Overhead Requirement**	**4,538,900**
0020	**Annual Fixed Overheads of the previous year after distribution of profits**	**18,155,600**
0030	**Total expenses of the previous year after distribution of profits**	23,393,048
0040	Of which: Fixed expenses incurred on behalf of the investment firms by third parties	
0050	**(-)Total deductions**	**(5,237,448)**
0060	(-)Staff bonuses and other remuneration	(3,362,658)
0070	(-)Employees', directors' and partners' shares in net profits	
0080	(-)Other discretionary payments of profits and variable remuneration	
0090	(-)Shared commission and fees payable	
0100	(-)Fees, brokerage and other charges paid to CCPs that are charged to customers	(98,568)
0110	(-)Fees to tied agents	
0120	(-)Interest paid to customers on client money where this is at the firm's discretion	
0130	(-)Non-recurring expenses from non-ordinary activities	
0140	(-)Expenditures from taxes	(1,676,011)
0150	(-)Losses from trading on own account in financial instruments	
0160	(-)Contract based profit and loss transfer agreements	
0170	(-)Expenditure on raw materials	
0180	(-)Payments into a fund for general banking risk	(100,211)
0190	(-)Expenses related to items that have already been deducted from own funds	
0200	**Projected fixed overheads of the current year**	17,278,923
0210	**Variation of fixed overheads (%)**	5%

Remuneration policy and practices

Our remuneration policy reflects our compliance with applicable rules, including overall governance, ratios, and the ability to claw back remuneration on the basis of malice or misconduct. The policy has been signed off by the board and includes the following key elements:

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1. ***Design Characteristics of the Remuneration System***:
   - ***Variable Remuneration***: *The level of variable remuneration and criteria for awarding it are determined based on performance metrics and risk alignment.*
   - ***Payout in Instruments Policy***: *Our policy does not include payout in instruments.*
   - ***Deferral Policy and Vesting Criteria***: *Deferred compensation is not addressed in our policy.*
2. ***Ratios Between Fixed and Variable Remuneration***:
   - *The ratios are set in accordance with Article 30(2) of Directive (EU) 2019/2034, ensuring a balanced approach between fixed and variable components.*
3. ***Aggregated Quantitative Information on Remuneration***:
   - ***Senior Management and Material Risk Takers (MRTs)***:
     - ***Amounts of Remuneration Awarded***:
       - *MB Supervisory function: €65,000 (fixed), €0 (variable)*
       - *MB Management function: €464,422 (total), €437,164 (fixed), €27,258 (variable)*
       - *Independent control functions: €604,498 (total), €571,813 (fixed), €32,684 (variable)*
       - *All other staff: €759,550 (total), €614,197 (fixed), €145,352 (variable)*
       - ***Total***: *€1,893,469 (total), €1,688,175 (fixed), €205,295 (variable)*
     - ***Forms of Awarded Variable Remuneration***: *Variable remuneration is awarded in cash, with no use of shares, share-linked instruments, or other types due to our policy constraints.*
     - ***Deferred Remuneration***: *Not applicable as our policy does not address deferred compensation.*

- ***Guaranteed Variable Remuneration**: No guaranteed variable remuneration awards were made during the financial year.*
- ***Severance Payments**: No severance payments were awarded during the financial year that triggered any breach of ratio for the applicable MRT population.*

4. ***Gender Neutrality and Gender Pay Gap**:*
    - *Our remuneration policy is designed to be gender-neutral, ensuring equal pay for equal work and addressing any gender pay gaps.*

Our policy and approach are scaled based on the size of our balance sheet, as per the applicable legal requirements. We ensure that our remuneration practices are fair, transparent, and aligned with our risk profile.

	MB Supervisory function	MB Management function	Dealing on own account, underwriting and placing of instruments	Investment advice, order execution	Portfolio management	Operation of MTF/OTF	Independent control functions	All other staff	Total
Number of members (Headcount)	2	1							
Total number of staff in FTE			0	0	0	0	13	10	23
Total net profit in year N (in EUR)									-3,900,902
Total dividends (or similar distributions) paid for year N (in EUR)									0
Total remuneration (in EUR)	65,000	464,422	0	0	0	0	604,498	759,550	1,893,469

Of which: variable remuneration (in EUR)	0	27,258	0	0	0	0	32,684	145,352	205,295
Of which: fixed remuneration (in EUR)	65,000	437,164	0	0	0	0	571,813	614,197	1,688,175
Maximum ratio between the variable and fixed remuneration for identified staff set in the investment firm internal policy									400%
The investment firm benefits from the waiver under Article 32(4)(a) IFD on an institutional level?									FALSE
The investment firm is a subsidiary of an EU parent institution that is subject to Directive 2013/36/EU									FALSE

Environmental, social and governance risks

Convera is committed to leading in Environmental, Social, and Governance (ESG) practices. Our ESG strategy is grounded in realism and incorporates sustainability principles across our operations. We have a three-year plan to meet all regulatory requirements and establish a detailed framework to position Convera at the forefront of ESG in the Fintech sector. Details are provided in our ESG Report https://convera.com/about-us/esg-strategy/

Environmental Risks:

- **Climate Change Adaptation (Physical Risk, Transition Risk)**: Our environmental and carbon footprint is minimal due to our size and business nature. However, we face potential financial risks from climate change adaptation restrictions and consumer expectations. Additionally, there are physical risks from the direct impacts of climate change on our operations.
- **Climate Change Mitigation (Physical Risk, Transition Risk)**: Our impact on climate change is minimal. However, we could face financial risks from imposed mitigation controls and physical risks from climate-related events disrupting our operations.
- **Energy (Transition Risk)**: We use a small amount of energy and have a minor carbon footprint. Despite this, we could encounter financial risks from global energy issues and the need to switch to renewable energy sources.
- **Air Pollution (Physical Risk, Transition Risk)**: Our impact on air pollution is negligible. However, we could face financial risks from regulatory changes and environmental policies, as well as physical risks from deteriorating air quality affecting our operations.
- **Water Pollution (Physical Risk, Transition Risk)**: We have no significant negative impact on water pollution. Nonetheless, we could experience financial risks from global water pollution affecting our employees and operations, along with physical risks from water contamination.

In the future, We are aiming to review our carbon footprint and implementing global standards to reduce it.

Social Risks:

- **Working Conditions**: We prioritize secure employment for our employees, recognizing its importance for their well-being and our financial stability.
- **Equal Treatment and Opportunities**: Gender equality and equal pay are key parts of our diversity, equity, and inclusion efforts.

- **Work-Related Rights**: We have strong controls to prevent child labor and modern slavery, ensuring ethical practices throughout our operations.
- **Privacy**: We respect and protect the privacy of our customers and employees, adhering to all relevant laws.
- **Access to Information**: We strive to provide all customers with fair access to our products and services.
- **Responsible Marketing**: Our marketing is always truthful and transparent, avoiding any risk of greenwashing and its financial repercussions.

We will continue enhancing our diversity, equity, and inclusion program, and increasing engagement with community-based projects.

Governance Risks:

- **Corporate Culture**: We foster a strong corporate culture based on core values to build and maintain your trust, ensuring our business remains financially sound.
- **Whistleblower Protection**: We have robust regulatory and ethical controls to protect whistleblowers. This helps us address any serious issues that could otherwise harm our financial health.
- **Political Engagement**: We stay neutral in political matters to avoid risks related to corruption, bribery, and reputational damage, ensuring our operations remain stable.
- **Supplier Relationship Management**: We implement strict payment controls to prevent fraud and market abuse, safeguarding our legal and financial standing.
- **Corruption and Bribery Controls**: Our dedicated programs ensure ethical business practices, helping us manage risks and maintain your trust.

Our objective is to continuously strengthen our governance framework through ongoing reviews and alignment with our ESG principles.