RISK MANAGEMENT POLICY

JANUARY 2021

I. INTRODUCTION

1.1 DIF BROKER - Sociedade Financeira de Corretagem, SA (hereinafter referred to as "DIF BROKER" or the "Company") considers risk management to be an essential component of the Company's vision and strategy, seeking prudent management of the business to achieve all its objectives and ensuring that internal capital levels are constantly adjusted to meet its actual needs.

The definition of the Company's Risk Profile and the internal capital planning are the responsibility of the Board of Directors (hereinafter "BD"), which also determines the strategic principles for overall risk management and control, following the guidelines set out in Annex I of Bank of Portugal Instruction no. 18/2020.

The Company has a person responsible for the risk area, transversal to the whole Company group and independent in his or her actions, reporting directly to the BD.

This document brings together the risk management policies in force at DIF BROKER, in accordance with applicable legislation and regulations.

The Board of Directors is responsible for defining and reviewing this document in order to adapt it to the Company's reality, at least once a year, and for divulging it to all employees.

II. DEFINITION OF RISK CATEGORIES

As provided in Article 21 of Bank of Portugal Notice no. 3/2020, the Board of Directors ensures that, taking into consideration the provisions of the applicable legislation, regulations and guidelines, it adopts risk categories that, as a whole, aggregate all the factors associated with risk events to which the institution is or may come to be exposed.

The decision to exclude certain risk categories identified in the applicable legislation, regulations and guidelines, due to the fact that the underlying risk factors are not manifested in the activity developed, must be duly justified and approved by the management body, being subject to assessment by the supervisory body.

In carrying out its activity, DIF Broker is subject to a number of risks. Annex I of the Bank of Portugal Instruction no. 18/2020 ("Instruction no. 18/2020") provides that institutions categorise the risks to which they are or may be exposed, according to the following Risk categories and subcategories:

– **Business Model Risk -** Business model risk essentially results from the probability of the occurrence of negative impacts on results or on capital, resulting from inadequate strategic decisions that are difficult to implement or that are not adjusted over time, in response to changes in the environment and in the institution's operating environment.
  In accordance with Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Viability of the business model;
- Sustainability of the business model.

– **Internal Governance Risk -** Internal governance risk results, essentially, from the probability of the occurrence of negative impacts on results or on capital, arising from an inadequate internal structure, risk management and organisational culture.
  In accordance with Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Internal governance structure;
- Risk management structure and risk culture;
- Infrastructure, data and reporting.

– **Credit Risk -** probability of the occurrence of negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad.
  In accordance with Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Risk of default;
- Country risk;
- Foreign exchange credit risk;
- Sovereign risk;
- Specialised lending risk;
- Counterparty credit risk;

- Risk of migration;
- Credit spread risk;
- Credit concentration risk;
- Securitisation risk;
- Residual risk;
- Risk of reduction of the amounts receivable; and
- Settlement and delivery risk.

– **Market Risk** - probability of the occurrence of negative impacts on results or capital due to alterations in the prices or structure of the financial markets.

  Pursuant to Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- General position risk;
- Specific position risk (debt instruments);
- Equity instruments risk;
- Risk of migration;
- Risk of default;
- Commodity risk;
- Foreign exchange risk;
- Options risk;
- Credit valuation adjustment risk;
- Risk of equity instruments in the banking Portfolio;
- Baseline risk;
- Sovereign risk;
- Concentration Risk/Liquidity Risk.

– **Interest Rate Risk of the Banking Portfolio** - probability of the occurrence of negative impacts on results or capital due to the impact of changes in interest rates in the banking portfolio. In accordance with Annex I of Instruction no. 18/2020, the following Risk subcategories fall into this Risk category:

- Reassessment risk;
- Yield curve risk;
- Baseline risk;

- Option risk.

– **Operational Risk** - probability of the occurrence of negative impacts on results or capital, resulting from failures in the analysis, processing or settlement of transactions, from internal and external fraud, from the use of subcontracted resources, from inefficient internal decision processes, from insufficient or inadequate human resources, from the inoperability or outdatedness of systems or infrastructures, or from events caused by an external source.
Pursuant to Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Internal fraud;
- External fraud;
- Employment and safety in the workplace practices;
- Customers, products and commercial practices;
- Damage to physical assets;
- Disruption of activity, execution, delivery and management processes; and
- Information and communication technologies.

– **Liquidity and Funding Risk** - probability of the occurrence of negative impacts on results or capital, arising from the inability of the institution to have liquid funds to meet its financial obligations as they fall due.
Pursuant to Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Wholesale funding risk;
- Retail funding risk;
- Funding cost risk;
- Intra-day risk;
- Exchange rate liquidity and/or funding risk;
- Intra-group liquidity and/or funding risk; and
- Cash flow mismatch risk.

– **Other Risks**: - probability of the occurrence of negative impacts on results or capital, arising from the materialisation of intangible risks in the institution.

In accordance with Annex I of Instruction No. 18/2020, the following Risk subcategories fall within this Risk category:

- Reputational risk;
- Compliance risk;
- Risk of money laundering and terrorist financing;
- Pension fund risk;
- Insurance risk;
- Property risk;
- Risk of step-in;
- Participation risk;
- Other concentration risks;
- Risk of excessive leverage; and
- Group risk.

III. RISK IDENTIFICATION AND ASSESSMENT PROCESS

The Risk area has the function of identifying, understanding and knowing all the risks related to the existence and activity of the Company, ensuring the creation, development and monitoring of systems for integrated risk management. In this way it is responsible:

- To identify, assess, monitor and propose the mitigation and control of all the materially relevant risks to the Company;
- To encourage a risk management culture within the Company, through the monitoring and disclosure of laws and regulations issued by the Supervisory Entities related to risks and appropriate training;
- To define and disseminate risk management policies and principles;
- To design and review risk management and response processes (includes the Business Continuity Plan, internal capital adequacy, among others);
- To help minimise losses and optimise the profitability/risk binomial, providing support for decision-making;
- To draw up and submit the "Annual Risk Management Report" to the Board of Directors each year, indicating the shortcomings detected and proposed measures to correct them, as well as possible recommendations for improvement;

- To prepare obligatory reports to the Supervisory Bodies on risk management (Concentration Risk Report, Counterparty Risk Report, Market Discipline Report);
- To ensure effective implementation of the risk management system, through continuous monitoring of its adequacy and effectiveness, as well as the adequacy and effectiveness of measures taken to correct any deficiencies in that system;
- To provide advice to the board of directors and prepare and submit to the board of directors and the supervisory board a report, at least annually, regarding risk management, indicating whether appropriate measures have been taken to correct any deficiencies. Identify and establish material present and future risks associated with the business;
- with the objective of ensuring that the level of risk exposure assumed by DIF BROKER is consistent with the risk profile established by the Board of Directors at any given time.

Given the size of the Company, the person responsible for the risk management area carries out risk management activity in parallel with the activity of the person responsible for the Company's financial department, under the terms and pursuant to the provisions of article 16, paragraph 1, subparagraph a) of Bank of Portugal Notice no. 3/2020.

At the moment, the Head of Risk is Dr. Glória Pimentel, who has held the position since October 2018.

IV. GLOBAL RISK MANAGEMENT MODEL

DIF BROKER's risk management system is based on a set of principles, strategic actions and procedures that promote compliance with the overall risk management policies required to achieve the objectives approved by the Board of Directors.

The strategy and general policies for risk management are defined, reviewed and approved by the Board of Directors, at least annually, ensuring that they cover all activities where relevant risks exist.

The objective of the risk management system is to maximise the Group's revenues per unit of risk assumed, while maintaining risk exposure at prudent levels with regard to the business development objectives, always respecting the regulatory requirements to which it is subject.

The governance model of the risk management and internal control system is based on two levels of action. Risk management is ensured on a first level by all areas of the Company. These are primarily responsible for identifying and analysing risks, in order to ensure that the control processes are complied with and adequate to the requirements. At the second level are the specific supervisory and risk management areas which are responsible for developing and adapting the general risk management framework and for monitoring its application by those responsible at the first level.

Each Business Area must:

- Be aware of the risks inherent to their activities, of the possible impacts that these may have on other business units and of the consequences that other business units may cause them;
- Be responsible for the daily management of the risks, always with a view to minimising them, to which their area is subject;
- Promote awareness of the existence of risks in their activities;
- Have performance indicators that allow it to monitor compliance with risk management objectives in key activities, both financial and operational.

Each Employee has the responsibility to participate in minimising risks and so he/she must:

- Understand their responsibility for individual risks;
- Understand how they can contribute to the continuous improvement of risk management;
- Understand that awareness of the existence of risks and their management are key factors in organisational culture;
- Systematically and immediately communicate to top management any emerging risks or failures in existing control measures.

4.1 Components of the Global Risk Management Model

The different components of the model are underpinned by a set of methodological tools and supports as follows:

Risk Management Environment:

- ✓ Risk Management Policy - Definition and formalisation of the risk management strategy, principles and policies.
- ✓ Organisational Culture - Definition, characterisation and promotion of an organisational culture conducive to risk management according to the defined strategy.

- ✓ Governance Model - Definition of the responsibilities, reporting lines and action rules of the structures involved in risk management.

Organisational Structure:

- ✓ Methodologies - Designing and formalising the models, tools and metrics to be used in managing and monitoring each of the risks.
- ✓ Procedures - Description of tasks with concrete identification of actors and tools used, including control, monitoring and reporting of risk levels in procedures.

Governance Model:

- ✓ Regulatory information - Creation and documentation of information to be reported to external entities, namely regulators.
- ✓ Internal information - Creating and documenting information to be used internally to support management.

4.2. Documentary Structure of the Risk Management System

The risk management system is documented in this policy and is complemented by the following elements:

- ➢ Risk assessment matrix;
- ➢ Procedures defined for each operational area;
- ➢ Internal reports and other risk monitoring media;
- ➢ Reports by the Supervisory Bodies, on matters of risk management;
- ➢ Recording of incidents and losses.

All the documentation mentioned is duly approved by the Board of Directors and is periodically reviewed, updated and permanently accessible to all the Company's employees.

4.3. Risk Management Process

The integrated management of the Company's risks is a continuous and dynamic process structured around the following phases: **Identification, Assessment, Monitoring and Mitigation** of the relevant risks to which the Company is most exposed.

4.3.1 Risk Identification

The identification of the risks is dealt with methodically, through a survey of the risks per business unit, so as to guarantee that all the Company's significant activities are identified and all the risks arising from them are defined.

4.3.2. Risk Assessment

The assessment of the risks intrinsic to the Company's activity and respective controls follows a risk matrix that, for each category of risk identified, defines:

- The probability of occurrence;
- The degree of impact in the event of absence or poor execution of control in qualitative terms;
- The degree of impact in the event of absence or poor execution of the control in quantitative terms;
- The respective controls implemented (frequency, rating, typology);

The revision/updating of the Risk Assessment Matrix (independent document) will be done annually at the beginning of each calendar year and whenever any event substantially modifies it.

4.3.3. Risk Monitoring

The risk monitoring process is defined in accordance with the strategies and methodologies described in the following sections of this document.

4.3.4. Risk Mitigation

The continuous process of risk identification, assessment and monitoring ensures the development and implementation of risk mitigation actions and plans or controls in order to minimise or even extinguish the risk exposure that is associated with the Company. The risk mitigation procedures, plans and controls are triggered in accordance with their level of risk.

V. DIFF BROKER RISK ANALYSIS

5.1. Risk management framework and principles

The various risk categories are assessed and monitored directly by the BD in general, and in particular by the business management area, which analyses the Company's assets and liabilities over time and reports to the BD with a view to taking operational and financial decisions.

The procedures established aim to manage the risks associated with volatility, concentration and correlation intrinsic to the financial markets, as well as the associated levels of liquidity.

5.2. Identified Risk Categories

Given the different risk categories defined in Instruction No. 18/2020 and the risks to which DIF Broker is or may come to be exposed within the scope of its business model - Online Brokerage, some of the main controls and regulations implemented by DIF Broker are presented in the table below, as well as the techniques and metrics for quantifying and mitigating the different risks applicable to DIF Broker:

RISK CATEGORY	RISK SUBCATEGORIES	MAIN CONTROLS, CRITERIA FOR QUANTIFYING AND MITIGATING RISKS
Business model	- Viability of the business model; - Sustainability of the business model	• Regular qualitative and quantitative analysis of the Institution's performance through the provision of daily KPIs; • Involvement in the daily management of the members of the Board of Directors; • Analysis of possible changes in the legislative and regulatory environment; • Strategic vision, consistent with the objectives set by DIF Broker; • Profitability ratios (ROA and ROE); • Strategic planning;
Internal Governance	- Internal governance structure; - Risk management structure and organisational culture; - Infrastructure, data and reporting.	• Code of Conduct; • Establishment of independent control functions; • Regulation of each of the control functions; • Policy of prevention, communication and resolution of conflicts of interest; • Clear and defined reporting lines; • Segregation of functions; • Internal training; • Internal controls; • Independent monitoring; • Organisational Structure Manual; • Human Resources Policy; • Whistleblowing Policy; • Information Security Policy; • Policy for selecting and appointing a Statutory Auditor/Audit Firm; • Policy on the Succession of members of the management and supervisory bodies and holders of key functions (Succession Policy).
Operational	- Internal fraud - External fraud - Employment and Safety at the Workplace Practices - Customers, products and commercial practices - Damage and physical assets - Disruption of activity, execution, delivery and process management - Information and communication technologies	• Management and analysis of Operational Risk events; • Reconciliations of accounts - liquidity and securities - in order to detect open items and seek justifications; • Review of the Business Continuity Plan; • Analysis of the systems and processes that ensure the smooth running of computer systems; • HR Policy that includes the preparation of Reports by an external entity about Conditions, Hygiene and Safety at work; • Review of the subcategories of operational risk; • ICT Contingency Policy - Information and Communication Technologies.
Other Risks	- Reputational risk	• DIF Broker analyses information, internal and external, aimed at understanding and minimally monitoring the market's perception of its image; • A culture of transparency and compliance, disseminated and developed internally and externally; • Whistleblowing Policy;

		• Policy of Selection and Assessment of the suitability of members of the management and supervisory bodies; • Transactions with Related Parties Policy; • Personal Data Protection Policy.
Other Risks	- Compliance, money laundering and terrorist financing risk	• Verification of compliance with the internal regulations and code of conduct; • Implementation of reporting mechanisms associated with the normative guidelines imposed at national and international level; • Analysis of the risk of Money Laundering and Terrorist Financing. The Risk Based Approach to fighting ML and TF is an essential management tool in the development of effective and adequate systems and controls in this field. This approach is based on the assumption of an effective fight against ML and TF, in addition to a simple search for regulatory compliance, seeking to channel resources to the analysis of operations, jurisdictions, counterparties and customers according to the inherent vulnerabilities and risks, without prejudice to strict compliance with legal obligations; • Rules of procedure of the compliance function; • ML/TF Risk Prevention and Management Policy; • DIF Broker's Market Abuse Prevention Policy; • Policy on Record Keeping of Transactions and Recording of Telephone or Electronic Communications Conversations.

5.3. Risk categories not applicable to DIF Broker

Given the different risk categories defined in Annex I of Instruction no. 18/2020 and Article 21 of the same Instruction, after a thorough assessment, the Board of Directors excluded the risk categories in the table below, taking into account the activity developed. DIF Broker has focused on the provision of online brokerage services, and does not grant credit or set up and trade its own portfolio, in addition to having limitations arising from its licence as a Brokerage Financial Company.

The risks excluded from DIF Broker's activity are now described:

RISK CATEGORY	RISK SUBCATEGORY	Assessment	Justification (quantitative and qualitative)
BUSINESS MODEL RISK	Viability of the business model	Y	
	Sustainability of the business model	Y	
INTERNAL GOVERNANCE RISK	Internal governance structure	Y	
	Risk management structure and risk culture	Y	
	Infrastructure, data and reporting	Y	
CREDIT RISK	Risk of default	N	DIF Broker does not grant nor does it have a credit department
	Foreign exchange credit risk	N	DIF Broker does not grant nor does it have a credit department
	Country risk	N	DIF Broker does not grant nor does it have a credit department
	Sovereign risk	N	DIF Broker does not grant nor does it have a credit department
	Specialized lending risk	N	DIF Broker does not grant nor does it have a credit department
	Counterparty credit risk	N	DIF Broker does not grant nor does it have a credit department
	Migration risk	N	DIF Broker does not grant nor does it have a credit department
	Credit spread risk	N	DIF Broker does not grant nor does it have a credit department
	Credit concentration risk	N	DIF Broker does not grant nor does it have a credit department
	Securitisation risk	N	DIF Broker does not grant nor does it have a credit department
	Residual risk	N	DIF Broker does not grant nor does it have a credit department
	Risk of reduction of the amounts receivable	N	DIF Broker does not grant nor does it have a credit department

	Settlement and delivery risk	N	DIF Broker does not grant nor does it have a credit department
MARKET RISK	General position risk (debt instruments)	N	DIF Broker does not have its own portfolio
	Specific position risk (debt instruments	N	DIF Broker does not have its own portfolio
	Credit spread risk	N	DIF Broker does not have its own portfolio
	Capital instruments risk	N	DIF Broker does not have its own portfolio
	Migration risk	N	DIF Broker does not have its own portfolio
	Risk of default	N	DIF Broker does not have its own portfolio
	Commodities risk	N	DIF Broker does not have its own portfolio
	Foreign exchange risk	N	DIF Broker does not have its own portfolio
	Options risk	N	DIF Broker does not have its own portfolio
	Credit assessment adjustment risk	N	DIF Broker does not have its own portfolio
	Risk of equity instruments in the banking Portfolio	N	DIF Broker does not have its own portfolio
	Baseline risk	N	DIF Broker does not have its own portfolio
	Sovereign risk	N	DIF Broker does not have its own portfolio
	Concentration Risk / Liquidity Risk	N	DIF Broker does not have its own portfolio
INTEREST RATE OF THE BANKING PORTFOLIO RISK	Reassessment risk	N	DIF Broker does not have a Banking Portfolio
	Yield curve risk	N	DIF Broker does not have a Banking Portfolio
	Baseline risk	N	DIF Broker does not have a Banking Portfolio
	Option risk	N	DIF Broker does not have a Banking Portfolio
OPERATIONAL RISK	Internal fraud	Y	
	External fraud	Y	

	Customers, products and commercial practices	Y	
	Damage to physical assets	Y	
	Disruption of activity	Y	
	Execution, delivery and processes management	Y	
	Information and communication technology	Y	
LIQUIDITY AND FUNDING RISK	Wholesale funding risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Retail funding risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Funding costs risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Intra-day risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Exchange rage liquidity and/or funding risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Intra-group liquidity and/or funding risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
	Liquidity and/or funding concentration risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.

	Cash flow mismatch risk	N	DIF Broker does not provide funding to customers or group companies, nor does it have an own portfolio.
OTHER RISKS	Reputational risk	Y	
	Compliance risk	Y	
	Risk of money laundering and terrorist financing	Y	
	Pension fund risk	N	DIF Broker does not operate in this business area
	Insurance risk	N	DIF Broker does not operate in this business area
	Property risk	N	DIF Broker does not operate in this business area
	Risk of step-in	N	DIF Broker has no unconsolidated entities, so it will not financially support another entity.
	Participation risk	N	DIF Broker has no shareholdings in Companies.
	Other concentration risks	N	There are no concentration risks other than those of a geographical scope.
	Excessive leverage risk	N	DIF Broker does not have its own portfolio
	Group risk	N	DIF Broker is not part of a financial group.

VI. GENERAL MODEL FOR RISK ASSESSMENT AND THE DEGREE OF IMPACT ON THE COMPANY

DIF Broker has developed a Deficiency Classification Methodology, which will be used for the classification of the various categories of risk to which the Company is exposed, as shown in the table below:

Degree of Impact	Business model	Internal Governance, Risk Management and Control	Liquidity	Level of Own Funds Requirements	Financial Situation: Balance	Financial Situation: Results
Very high	Risks of uncertain recovery and with a very high cost, resulting from the value proposition, customer segments, distribution channels, customer relationship (reputational damage/poor performance), key resources, activities and partnerships, and competitive environment can have a very high impact: - in sources of revenue with negative deviations from what was projected, which may generate losses or even insolvency; - in the cost structure, namely very high variable costs or an unsustainable fixed vs variable cost structure for an indefinite period; - in terms of substantial loss of customers, deterioration of market share and brand integrity.	Very high impact on internal governance, management, culture and risk control in a business line/product/geographic area/function/etc. requiring urgent and immediate action and attention of the respective function/business line. There may be extreme measures applied to DIF Broker, such as litigation and potential loss of license, fines and penalties and possible measures applied to specific members of the company.	> EUR 1.000.000	> EUR 1.000.000	> EUR 1.000.000	> EUR 1.000.000
High	Risks that can only be mitigated at considerable cost, resulting from the value proposition, customer segments, distribution channels, customer relationship (reputational damage/poor performance), key resources, activities and partnerships, and competitive environment can have a high impact: - in the sources of revenue with negative deviations in relation to what was projected, which may even generate losses; - in the cost structure, namely very high variable costs or an unsustainable fixed vs. variable cost structure; - in terms of loss of customers, deterioration of market share and brand integrity.	High impact on internal governance, management, culture and risk control in a business line/product/geographic area/function/etc. requiring urgent action and attention of respective function/business line. There may be increased scrutiny by a supervisor with possible costs to DIF Broker or the customer, including opening of an inquiry/investigation, imposing fines, but not involving extreme measures.	EUR 250,000<EUR 1,000,000	EUR 250,000<EUR 1,000,000	EUR 250,000<EUR 1,000,000	EUR 250,000<EUR 1,000,000
Moderate	Risks that can be mitigated with low effort and cost, resulting from the value proposition, customer segments, distribution channels, customer relationship (reputational damage/poor performance), key resources, activities and partnerships, and competitive environment may have a moderate impact: - in the sources of revenue with negative deviations from the projections; - in the cost structure, namely more variable costs than projected or a different structure of fixed vs variable costs than expected; - in terms of loss of customers, reduction in market share and deterioration in brand integrity.	Moderate impact on internal governance, management, culture and risk control in a business line/product/geographical area/function/etc. that requires the application of measures and the attention of the respective function/business line. May be reportable to a regulator but no consequences for the Company are expected.	EUR 50.000 < EUR 250.000	EUR 50.000 < EUR 250.000	EUR 50.000 < EUR 250.000	EUR 50.000 < EUR 250.000
Low	Risks that can be quickly resolved, resulting from the value proposition, customer segments, distribution channels, customer relationship (reputational damage/poor performance), key resources, activities and partnerships, and competitive environment may have a minor impact: - in the sources of revenue with negative deviations from the projections; - in the cost structure, namely more variable costs than projected or a different fixed vs variable cost structure than expected; - in terms of loss of customers, reduction in market share and deterioration in brand integrity.	Minor impacts on internal governance, management, culture and risk control in a business line/product/geographic area/function/etc. that requires the application of measures and the attention of the respective function/business line. Not reportable to a regulator.	< EUR 50,000	< EUR 50,000	< EUR 50,000	< EUR 50,000

Degree of Impact	Probability: Unlikely	Probability: Possible	Probability: Probable	Probability: Very Likely
Very high	F3 - High	F4 - Severe	F4 - Severe	F4 - Severe
High	F2 - Moderate	F3 - High	F3 - High	F4 - Severe
Moderate	F1 - Low	F2 - Moderate	F2 - Moderate	F3 - High
Low	F1 - Low	F1 - Low	F1 - Low	F2 - Moderate

VII. METHODOLOGY FOR ASSESSING THE DEGREE OF IMPACT OF DEFICIENCIES

DIF Broker has developed criteria for categorising its deficiencies, depending on the probability of occurrence and degree of impact on the Company, as shown in the table:

F4 - Severe	• The mitigation activities/controls implemented by the Board of Directors do not allow for effective management of the identified risks. As a result, DIF Broker is exposed to high financial losses, regulatory non-compliance, substantial reputational and actual damage to the business model, internal governance, considerable risk management and control or a combination of these consequences. • Subject for the immediate attention of the Board of Directors and all lower hierarchical levels. Included in the Audit Report and communicated to the Supervisory Board.
F3 - High	• The mitigation activities/controls implemented by the Board of Directors need significant improvement in order to ensure effective management of identified risks. As a result, DIF Broker is exposed to significant financial losses, regulatory non-compliance, reputational and actual damage to the business model, internal governance, significant risk management and control, or a combination of these consequences. • Subject for the attention of the Board of Directors and all lower hierarchical levels. Included in the Audit Report and communicated to the Supervisory Board.
F2 - Moderate	• The mitigation activities/controls in place are not fully assimilated, need improvement, or both, in order to ensure effective management of the identified risks. As a result, DIF Broker is vulnerable to incurring financial losses, regulatory non-compliance, damage to the business model, internal governance, risk management and control, or a combination of these consequences. • Subject for the attention of the Board of Directors, Director of the Portfolio and all lower hierarchical levels. Included in the Audit Report and communicated to the Supervisory Board.

F1 - Low	• The mitigation activities/controls in place need some improvement to be fully effective. As a result, DIF Broker may incur limited financial losses from regulatory non-compliance, and slight damage to its business model, internal governance, risk management and control, or a combination of these consequences. • Subject for the attention of the Board of Directors, Director of the Portfolio and all lower hierarchical levels. Included in the Audit Report and communicated to the Supervisory Board.

VIII. OPERATIONAL RISK ANALYSIS MODEL

8.1. Framework

Although already covered in the present document, the risks described in more detail in points VIII to XII are those that could affect DIF Broker the most, and are therefore detailed below.

Operational Risk takes centre stage at DIF Broker. With regard to operational risk management, the heads of each area are responsible for ensuring proper implementation of policies and methods for controlling operational risk in accordance with the respective procedures of each function.

The principles and procedures established are intended to manage the following risk contexts:

- Failures in daily procedures arising from the activity;
- Occurrence of internal and external fraud;
- Impact on the continuity/integrity/quality of the Company's activity due to outsourcing;
- Inadequate quantitative and qualitative human resources, as well as their inefficient management;
- Inoperability of physical infrastructures.

8.2. Risk management principles

- Promotion of a culture of identification and control of existing risks in the various areas of the Company;
- The various areas of the Company are responsible, at all levels, for managing, controlling and reducing the risks in their areas of responsibility;
- Compliance with operational risk management procedures is consolidated in an organisational structure that ensures the existence of a strict segregation of functions with regard to carrying out and accounting for operations;

- Ensure that human resource strategies are in line with business needs and requirements;
- Ensure that internal processes and procedures, including information flows, segregation of duties and existing controls, as well as services provided by outsourcing companies, are up to date.

8.3. Risk management procedures and methodologies

Means of Risk Assessment:

- Calculation of Own Funds Requirements under the Basic Indicator Approach
- Risk Assessment Matrix;
- Process mapping

Means and areas of risk control:

- Analysis of internal operational risk events;
- Reconciliation of accounts
- Customer complaints
- Periodic reports from those responsible for the areas;

Risk Reduction Instruments:

- Segregation of duties in performing and accounting for transactions;
- Double-checking of key tasks (e.g. opening of accounts);
- Insurance policies;
- Standardisation of opening and customer contact procedures;
- Historical record in system of all operations carried out;
- Mechanisms to validate the identification of customers in order to carry out operations;
- Carry out periodic asset inventories;
- Increase of automation of to decrease the human risk inherent in manual tasks;
- Control procedures.

IX. INFORMATION SYSTEMS RISK ANALYSIS MODEL

9.1. Framework

Control of this risk is carried out by the IT area through maintenance and security of the software, hardware and network infrastructures, as well as through management of developments to be carried out on the information systems and respective support.

The established principles and procedures are intended to manage the following risk contexts:

- Lack of synchronisation between business strategy and information systems strategy;
- Inflexibility of information systems in terms of changes and their duration;
- Irregularities in access permission;
- Failures in the integrity and continuity of information systems.

9.2. Risk management principles

- Ensure that information systems policies and strategies are in line, and provide adequate flexibility, with the needs and requirements (current and foreseeable) of the business;
- Safeguard the information systems through protection mechanisms, as well as the assignment of differentiated accesses to each employee/area of the Company;
- Ensure coherence and consistency between operational information, management information, accounting information and supervisory information produced by the information systems;
- Ensure the existence of an adequate contingency plan regarding the availability and recoverability of the information systems, which guarantees that the hardware, software, data and communications have adequate protection and recovery mechanisms.

9.3. Risk management procedures and methodologies

Means of Risk Assessment:

- Risk Assessment Matrix

Means and areas of Risk Control:

- Promotion of a culture of security of information systems and networking;
- Internal information systems that integrate all business operations/information;
- Information systems support and maintenance contracts;

- Architecture and security (Firewalls, Application Firewalls, Database Firewalls, Intrusion Detection Systems, Content Management); Encryption mechanisms and algorithm coding; Digital certificates; Alternative processing infrastructure;
- Daily management of risks and vulnerabilities;

Risk Reduction Instruments:

- Specific software to perform operations;
- Daily information back-ups;
- Mechanisms for protection and security of computer applications;
- Existence of user profiles;
- Authorisation procedure and access control;
- Periodic external audits;
- Control procedures.

X. COMPLIANCE RISK ANALYSIS MODEL

10.1. Framework

Compliance risk management is carried out directly by the Company's Compliance department, with the assistance of external legal consultancy when applicable, and is continuously monitored by the Board of Directors.

The mitigation of the Compliance risk is complemented by the practices contained in the Company's internal policies and procedures, namely in the "Internal Procedures Manual", the "Code of Conduct" and the "Policy on Money Laundering and the Terrorist Financing".

The established principles and procedures are intended to manage the following risk contexts:

- Non-compliance with applicable legislation and breaches of internal rules;
- Breach of responsibility towards third parties;
- Lack or insufficient degree of transparency in the Company;
- Involvement in money laundering operations.

10.2. Risk management principles

- Ensure adherence and compliance with the laws and regulations issued by the Regulatory and Supervisory Entities, as well as to respond to requests for information from these entities;

- Exercise the ethical principles and internal rules of conduct that enable operational efficiency to be improved (i.e. Code of Conduct, Procedures Manual, automation of accounting processes, standardisation of processes, among others);
- Ensure compliance with the rules of confidentiality and treatment of customer information, as well as keeping an up-to-date historical record of the complaints and legal proceedings brought against the Company;
- Ensure that reliable and coherent information is made available to all customers and stakeholders of the Company;
- Promote a culture of ML/TF prevention through the establishment and implementation of the respective procedures (training, dissemination of documents and communication forms for suspicious transactions, assessment of the origin of the funds received, movements and transfers requested, among others).

10.3. Risk management procedures and methodologies

Means of risk assessment:

- Risk-based approach;
- Risk Assessment;
- Assessment of Effectiveness.

Means and areas of Control:

- Existence and dissemination of internal regulations and manuals of procedures and conduct;
- Procedures for handling complaints;
- Existence and dissemination of the ML/TF prevention policy and procedures to all employees;
- Promoting a culture of risk, money laundering and terrorist financing prevention;
- Historical record of complaints, news about the Company and communications to/from the Supervisory Bodies;

Risk Reduction Instruments:

- ML/TF Prevention Training for all employees;

- Identification and knowledge of all account actors and validation through Lexis- Nexis;
- IT mechanisms to disable operations by non-qualified customers;
- Alerts of operations suspected of money laundering and terrorist financing;
- Sanctions/terrorist/PEP list filtering;
- Monitoring of misuse and insider trading and analysis of operations suspected of market abuse;
- Mechanisms for monitoring compliance with procedures;
- Legislative and regulatory update;
- Compliance Culture;
- Compliance reports to BD
- Control procedures.
- Control procedures.

XI. REPUTATIONAL RISK ANALYSIS MODEL

11.1. Framework

All the company's areas contribute to global reputation risk management, as well as to excellence in the provision of services to customers, by examining, monitoring and controlling all the other types of risk inherent in each area, in accordance with the internal documents in force and ethical principles.

The established principles and procedures are intended to manage the perception of the Company in the market and among all its stakeholders.

11.2. Risk management principles

- A culture of transparency and compliance, disseminated and developed internally and externally.
- Monitor the evolution of the customer base and the services provided to them;
- Monitor and record the news published about the Company, analysing potential positive/negative impacts;
- Follow the quantitative and substantive evolution of complaints, as well as the respective monitoring of compliance with the deadlines for processing them;
- Existence of monitoring of operational failures that may affect the Company's image (interruptions in the information systems allocated to customers, production of

insufficient and/or untimely reporting/information to supervisory bodies, among others);

- Guarantee a degree of employee satisfaction;
- Ongoing monitoring by the Board of Directors of other issues related to the Company's image.

11.3. Risk management procedures and methodologies

Means of risk assessment:

- Analysis of customer complaints
- Analysis of news about the Company
- Risk Assessment Matrix

Means and areas of risk control:

- Marketing and Communication Area
- Following the news in the media
- Assiduous commercial follow-up of critical customers

Risk reduction instruments

- Internal documents: Procedures and Policies Manual, namely Investor Protection Policy, Order Execution and Conflict of Interest Management Policy)
- Complaints handling and control
- Monitoring the level of employee rotation and the evolution of redundancies
- Analysis and monitoring of the customer portfolio

XII. BUSINESS RISKS

DIF BROKER is constantly aware of other risks, referred to as Business risks, which impact on the Company may be significant whenever they arise. These risks are external to the Company and can be summarised as follows

CUSTOMER RISK

DIF BROKER, because it has no portfolio of its own, is directly exposed only marginally to most of the risks addressed in detail in this policy. However, its customers, because they invest in derivative instruments, and with the negative balance protection rules imposed by ESMA, DIF Broker may be required to compensate them for losses incurred due to high volatility in the financial markets. DIF BROKER has adopted a very conservative margin policy in order to ensure that customers do not have their positions compulsorily closed and, on the other hand, it regularly warns its customers, particularly when opening an account, of the risks inherent to excessive leverage, in particular the risks to which they will be exposed.

REGULATORY RISK

The impact of the growing prudential and behavioural supervision that, in recent years, has imposed high regulatory and compliance costs on financial companies, with a particular impact on small and medium-sized companies, which are less able to bear these high costs. This situation is all the more relevant because at the same time, and in light of the freedom to provide services, several companies in other European countries with lighter regulatory frameworks are operating in the national market without having to bear part of the national requirements.

EXTERNAL RISK

Economic crisis affecting the banking system with the potential risk of insolvency of the system. If this risk was already a possibility before the current pandemic, it has now increased.

This risk is aggravated in the face of a situation that has previously and increasingly worried DIF BROKER related to the implementation of the Bail-in system in January 2016, which admits the possibility of using customer deposits in an eventual bail-out of banks and which could endanger deposits in the financial system.

DIF BROKER has consistently alerted regulators to the above risks and takes the necessary measures on a daily basis to ensure the continuity of its business and safeguard its customers' deposits, following the recommended regulatory determinations, seeking to be permanently up-to-date with the regulatory framework and closely monitoring market developments and decisions impacting its business.

Appendix: Company’s risk matrix