

## INDUCEMENT POLICY

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<b>Approved by:</b>	Board of Directors
<b>Operational applicability:</b>	All Personnel and Clients
<b>Geographic applicability:</b>	Cyprus
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## **TABLE OF CONTENTS**

<b>1. INTRODUCTION</b>	<b>3</b>
<b>2. SCOPE AND APPLICATION</b>	<b>3</b>
<b>2.1. GENERAL RULES ON INDUCEMENTS</b>	<b>3</b>
<b>2.2. INDEPENDENT INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT</b>	<b>5</b>
<b>2.3. RESEARCH INDUCEMENTS</b>	<b>6</b>
<b>2.4. MNBS, GIFTS, ENTERTAINMENT AND THRESHOLDS</b>	<b>7</b>
<b>3. REPORTING TO CLIENTS</b>	<b>9</b>
<b>4. MONITORING AND REVIEW</b>	<b>9</b>

## **1. INTRODUCTION**

BOSON ALFA LTD (hereinafter referred to as the «Company») with its office at 54 Vasileos Georgiou A Str., Galatex Beach Center, Block E2, Office 46 Potamos Germasogeias, 4047, Limassol, Cyprus is the Cyprus Investment Firm («CIF») authorized and regulated by the Cyprus Securities and Exchange Commission («CySEC») with license No.314/16.

DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments («MiFID II»), REGULATION (EU) No 600/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments («MiFIR»), as well as THE LAW WHICH PROVIDES FOR THE PROVISION OF INVESTMENT SERVICES, THE EXERCISE OF INVESTMENT ACTIVITIES, THE OPERATION OF REGULATED MARKETS AND OTHER RELATED MATTERS (L.87(I)/2017) and other relevant regulations and guidelines issued by the European Securities and Markets Authority («ESMA») and/or CySEC («Regulatory Framework») impose a general obligation on the Company when providing services to Clients to act honestly, fairly and professionally in accordance with the best interests of its Clients.

The MiFID II Directive 2014/65 deals with the payment to, and/or receipt from, a third party of inducements in relation to the provision of services to clients of investment firms. In doing so, it distinguishes between the rules that apply to investment services generally, and those that apply specifically in the context of portfolio management and investment advice. Generally, MiFID II permits investment firms to accept inducements in circumstances where certain requirements are satisfied. However, it prohibits inducements paid to, and/or received by, an investment firm carrying out portfolio management or providing investment advice: such firms are only permitted to pay or receive minor non-monetary benefits («MNBs») that fulfil certain requirements.

Commission Delegated Directive 2017/593 (the «Delegated Directive») contains more detailed rules on inducements, including specific requirements governing inducements in relation to research. The European Securities and Markets Authority (ESMA) also deals with inducements in its Q&A on MiFID II and MiFIR Investor Protection Topics.

## **2. SCOPE AND APPLICATION**

### **2.1. GENERAL RULES ON INDUCEMENTS**

According to Article 24(9) of MiFID II, the Company is only permitted to pay, or be paid, an inducement (namely, a fee, commission or non-monetary benefit) in connection with the provision of an investment service or ancillary service where the relevant payment:

- is designed to enhance the quality of the relevant service to a client of the investment firm; and
- does not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the best interests of its clients;

In addition, the Company must clearly disclose to the client, the existence, nature and amount of the inducement or, where the amount cannot be ascertained, its method of calculation. This disclosure must be made in a manner that is comprehensive, accurate and understandable to the client and must be made prior to the provision of the relevant investment/ancillary service. Where applicable, the Company must

inform the client on mechanisms for transferring to the client an inducement received in relation to the provision of an investment/ancillary service.

Payments or benefits received or provided by the Company which enable or are necessary for the provision of investment services and which are inherently incapable of giving rise to conflicts with the investment firm's duties to act honestly, fairly and professionally in accordance with its clients' best interests are not considered to be inducements. This includes, for example, custody costs, settlement and exchange fees, regulatory levies or legal fees.

According to the Delegated Directive, an inducement should not be accepted if it results in the provision of the relevant services to the client being biased or distorted.

The Delegated Directive also provides further information as to when an inducement will be designed to enhance the quality of the relevant service to the client. Specifically, such an inducement must meet three conditions on an ongoing basis, namely, it must:

- be justified by the provision of an additional or higher level service to the relevant client, which is proportionate to the level of inducements received, such as:
  - the provision of non-independent investment advice on and access to a wide range of suitable financial instruments including an appropriate number of instruments from third party product providers having no close links with the Company;
  - the provision of non-independent investment advice combined with either: an offer to the client, at least on an annual basis, to assess the continuing suitability of the financial instruments in which the client has invested; or with another on-going service that is likely to be of value to the client such as advice about the suggested optimal asset allocation of the client; or
  - the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of instruments from third party product providers having no close links with the Company, together with either the provision of added-value tools, such as objective information tools helping the relevant client to take investment decisions or enabling the relevant client to monitor, model and adjust the range of financial instruments in which they have invested, or providing periodic reports of the performance and costs and charges associated with the financial instruments.
- not directly benefit the recipient firm, its shareholder or employees without tangible benefit to the relevant client; and
- be justified by the provision of an on-going benefit to the relevant client in relation to an on-going inducement.

The Company must hold evidence that any inducement that it pays or receives is designed to enhance the quality of the relevant service to the client:

- by keeping an internal list of all fees, commissions and non-monetary benefits received by the Company from a third party in relation to the provision of investment or ancillary services; and

- by recording how the fees, commissions and non-monetary benefits paid or received by the Company, or that it intends to use, enhance the quality of the services provided to the relevant clients and the steps taken in order not to impair the Company's duty to act honestly, fairly and professionally in accordance with the best interests of the client.

Regarding disclosure, MNBs may be described in a generic way while other non-monetary benefits must be priced and disclosed separately. Where an investment firm discloses the method of calculating the amount of a payment or benefit in advance of providing the relevant service in its prior disclosure, then it must disclose the exact amount of the payment or benefit on an ex post facto basis.

The Company must inform its clients on an individual basis about the actual amount of payments or benefits received or paid at least once a year, as long as (on-going) inducements are received by the Company in relation to the investment services provided to the relevant clients.

## 2.2. INDEPENDENT INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT

The Company when providing investment advice on an independent basis or portfolio management must return to clients any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to that client as soon as reasonably possible after receipt. All fees, commissions or monetary benefits received from third parties in relation to the provision of independent investment advice and portfolio management shall be transferred in full to the client.

The Company shall inform clients about the fees, commissions or any monetary benefits transferred to them, such as through the periodic reporting statements provided to the client.

The Company shall not accept non-monetary benefits that do not qualify as acceptable minor non-monetary benefits.

According to the Delegated Directive, the following benefits qualify as acceptable MNBs:

- information or documentation relating to a financial instrument or an investment service which is either generic in nature or personalized to reflect the circumstances of an individual client;
- written material from a third party that is commissioned or paid for by a corporate issuer (or potential issuer) to promote a new issuance by the company, or contractually engaged and paid by the issuer to produce such material on an on-going basis, provided the relationship is clearly disclosed in the material and that the material is simultaneously made available to any investment firm wishing to receive it or to the general public;
- participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or the training events mentioned above; and
- certain other MNBs which deem capable of enhancing the quality of service provided to a client and are of a scale and nature that is unlikely to impair compliance of the Company to act in the client's best interests.

An MNB, in order to be acceptable, must be reasonable and proportionate and of such a scale that it is unlikely to influence the Company's behavior in any way that is detrimental to the relevant client's interests. In addition an MNB must be disclosed to the clients as a generic information prior to provision of the relevant investment or ancillary service to clients.

In order to maintain an independent investment selection responding best to the needs of the clients, the Company has no intention to receive/pay any inducements related to portfolio management and investment advice.

### 2.3. RESEARCH INDUCEMENTS

According to the Delegated Directive, research provided by a third party to the Company may be considered as an inducement under MiFID II.

Research will not be an inducement if the Company either directly pays for it out of its own resources, or from a separate research payment account («RPA»), which is controlled by the Company and which meets a number of conditions. In particular, if an RPA is being used, the RPA must be funded by a specific research charge to the client. In addition, as part of establishing an RPA, the Company must set up and regularly assess a research budget and then agree with the client:

- the research charge as budgeted; and
- the frequency with which the specific research charge will be deducted from the clients' resources over the year.

The Company must regularly assess the quality of the research purchased based on robust quality criteria and its ability to contribute to better investment decisions. In order to do so, the Company must establish all necessary elements in a written policy and provide the policy to its clients.

When the Company makes use of the RPA it must provide its clients with certain information both before the provision of the investment service and annually. Moreover, where the competent authority or a client so requests, the Company must provide specified information, including a summary of the providers paid from the RPA, the total amount paid over a defined period and the benefits and services received by the Company.

The Company does not produce the research itself.

The Company decided to only use paying researches and publications and to pay for them itself, from the Company's account, without charging it to the clients.

BOSON ALFA LTD should not accept research material for free. If such research will be received the Company will consider the automatically blocking or filtering certain senders/materials where practicable, and / or requesting a provider to stop providing research. The directors, executive staff members and personnel of the Company, should inform Compliance Officer immediately in order to monitor, assess and determine whether the material can be accepted before it reaches those parts of the Company that would make use of it.

Research received from a third country provider will be treated in the same way as any other third party benefits.

#### 2.4. MNBS, GIFTS, ENTERTAINMENT AND THRESHOLDS

Minor non-monetary benefits may include, but are not limited to, the following: promotional items such as calendars, pens, clothing, branded products, tickets for sporting and other events, business lunches, entertainment, gift vouchers, sponsored attendance of seminars and/or conferences, travel, gifts in kind and hospitality, sponsorship of events/seminars/conferences and short market updates with limited commentary or opinion received from third parties.

While the Company adheres to the basic principle that its personnel, management, executive staff members and other persons working under contract for the Company are not allowed to pay, provide or receive any direct or indirect fees, commissions, discounts, non-monetary benefits or gifts to or from a client or a third party acting on behalf of a client, the Company recognizes that in doing business and applying industry norms, in certain limited circumstances, the Company's personnel, management, executive staff members and other persons working under contract for the Company may be required to accept, receive or give some gifts as a token of appreciation.

Day-to day interactions whether in person, by phone or electronic communications are to enable to support relationship building between the Company, its counterparties and the clients. During these interactions the Company's representatives can give market commentaries, market views, trade ideas, and other factual information that is publicly available. However any supporting rationale will be brief and not based on substantive analysis. The Company believes that those interactions would constitute an acceptable MNB.

The primary purpose of client meetings is the development of long-term relationships. During the meeting the Company's representatives may discuss market and economic events as well as share information about trends in the market. These meetings are designed to mutual benefit and any relevant information and insight provided is incidental to the overall purpose of the meeting. No any bespoke analysis will be provided during the meeting unless previously agreed.

Business lunches are a necessity and may be useful to promote or expedite business matters and, as such, are acceptable and need not be disclosed, the Company's personnel, management, executive staff members and other persons working under contract for the Company are required to use their discretion as to what is appropriate, given the guidelines contained in this Inducement Policy.

Received non-substantive material or services consisting of short term market commentary on the latest economic statistics or financial may be treated as minor non-monetary benefits.

Materials repeating or summarizing public news stories or public statements from corporate issuers (e.g. public quarterly results reports or other market announcements) could also be considered as information that constitutes a minor non-monetary benefit.

As the Company's business is based on the principals of quality, service and excellence, and the Company wishes to avoid any impropriety in the acceptance, receipt and/or giving of any direct

or indirect fees, commissions, discounts, non-monetary benefits and/or gifts, to or from a client or a person acting on behalf of a client in relation to the provision of investment and/or ancillary services, it has established the following guidelines:

- The Company's personnel, management, executive staff members and other persons working under contract for the Company are prohibited from offering or receiving, soliciting or accepting any inducements, gifts, benefits, compensation or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.
- The Company's personnel, management, executive staff members and other persons working under contract for the Company are prohibited from soliciting gifts for themselves, their family members or related parties.
- Attempts by suppliers, clients or third parties to solicit gifts during the course of their interaction with the Company's personnel, management, executive staff members and other persons working under contract for the Company, should immediately be reported to the Company's Compliance Officer.
- None of the Company's personnel, management, executive staff members and other persons working under contract for the Company may approach any client, potential client, supplier or business contact for donations/sponsorships or gifts without the prior approval of the Compliance Officer.
- Any approach made by suppliers, clients or third parties with regards to requests for donations/sponsorships or gifts, must immediately be reported to the Compliance Officer.
- All gifts sent to clients, and all sponsorship opportunities, need to be signed off by the Company's Compliance Officer and by the Company's Marketing Officer in order to ensure it is brand compliant and within budget.
- Regardless of value, the Company's personnel, management, executive staff members and other persons working under contract for the Company should ensure that no gift or series of gifts be accepted which might appear to create a conflict of interest.
- In considering whether a gift or form of entertainment is excessive or inappropriate, the Company's Compliance Officer will consider the nature of the business relationship and whether it could be regarded as an improper inducement, as the case may be, by the Company's personnel, management executive staff members and other persons working under contract for the Company, or by the recipient or donor or by any other relevant party.
- The Company's personnel, management, executive staff members and other persons working under contract for the Company shall not offer entertainment to a client, where the client is not accompanied by a Director of the Company, nor shall any of the Company's personnel, management, executive staff members and other persons working under contract for the Company accept entertainment where they are not accompanied by the donor.
- The Company's personnel, management, executive staff members and other persons working under contract for the Company should notify the Compliance Officer in advance of any entertainment which might give the impression of influencing their judgment or behaviour in the performance of their duties to the Company and its clients.
- The Company's personnel, management, executive staff members and other persons working under contract for the Company must refuse any invitation or entertainment that could be construed to be unusual, or appear to create a sense of obligation to the host or bias in their favour. This should be assessed in the context of the nature of the invitation, including cost or rarity value and any other relevant factors.

Any gift, gratuity or other benefit, for which an arms-length payment was not required, received by the Company's personnel, management, executive staff members and other persons working under contract for the Company and having a value in excess of EUR 100 must be pre-approved by the Compliance Officer, and must be disclosed in writing to the Compliance Officer within twenty-four (24) hours of receipt. The Compliance Officer will be responsible for updating the gift register, within forty-eight (48) hours of receipt.

The acceptance of receipt of cash (Company notes or equivalent) is specifically prohibited.

The acceptance of discounts in excess of normal commercial practice or free memberships is prohibited.

Gifts in kind (i.e., hospitality) require prior approval by the Compliance Officer.

All gifts, gratuities or other benefits given to clients and or third parties must be pre-approved by the Compliance Officer, and must be disclosed in writing to the Compliance Officer within twenty-four (24) hours after being given. The Compliance Officer will be responsible for updating the gift register, within forty-eight (48) hours after the gift, gratuity or other benefit has been given.

The annual cumulative value of gifts received by any of the Company's personnel, management, executive staff members and other persons working under contract for the Company must not exceed EUR 750 for a single year.

The annual cumulative value of gifts received from a single source may not exceed EUR 750 for a single year.

### **3. REPORTING TO CLIENTS**

MiFID II requires to send the inducement reports to clients at least once a year. The Company has chosen to produce one report per year. This report will be provided along with the annual information on costs and associated charges.

Information on inducements will be expressed in both as a cash amount and as the percentage.

If a client decides to end his/her relation with the Company, BOSON ALFA LTD must provide a report showing all inducements from the first day of the current reporting period to the date of contract termination.

The first reports containing the information on inducements will be sent at the end of Q1 2019 for the reporting period from January 1<sup>st</sup> 2018 to December 31<sup>st</sup> 2018.

### **4. MONITORING AND REVIEW**

The Board of Directors of the Company is responsible for setting written rules and for the existence of adequate controls and appropriate procedures for the provision of investment and/or ancillary services, as well as for the supervision of the implementation of this Inducement Policy.

The present Inducement Policy, as well as the costs and commissions for the Company's services, are revised on an annual basis or more often when appropriate, in order to include the changes into the current regulatory and statutory requirements, as well as the changes on Company's strategic objectives or on the internal (operational – business) and external (market) environment and whenever a material change occurs and affects The Company's ability to act honestly, fairly and professionally in accordance with the best interests of its clients.

The directors, executive staff members and personnel of the Company are responsible for the sound implementation of this Inducement Policy. They should immediately report to the Compliance Officer any case of non-implementation or any concerns, brought to their attention or reported to them by clients, and they should act jointly with the Compliance Officer, in accordance with the pre-set remedial actions stated in this Inducement Policy.

The Compliance Officer performs an assessment at least once a year in order to ensure that the Company that is in compliance with the inducement rules under Regulatory Framework.

The Internal Auditor is exercising continuous scrutiny over the receipt or payment of any inducements in order to be in line with the Company's Inducement Policy and the Regulatory Framework.

The existing Clients will be notified of any material changes or amendments to this Inducement Policy which may be made from time to time. The latest version of the Inducement Policy will also be available at [www.bosonalfa.com](http://www.bosonalfa.com).