



Financial Statements and Reports

2023

FOR PROFESSIONAL INVESTORS

Overview

Managing Director's Statement

Dear Investors and Shareholders,

This year has been marked by dynamic shifts in the global financial landscape, presenting both challenges and prospects for our industry. As an asset investment and management institution committed to delivering exceptional value to our clients and stakeholders, we have embraced these changes with agility and determination, positioning ourselves at the forefront of the evolving market. Despite the uncertainties and disruptions brought forth by the global pandemic, we have continued to demonstrate resilience and strength. We have successfully navigated through volatile markets, leveraging our expertise and innovative strategies to generate sustainable growth and exceptional returns for our clients. Our commitment to excellence in client service remains unwavering. Throughout the year, we have maintained a client-centric approach, tailoring our solutions to meet the unique needs and objectives of each individual and institution we serve. By fostering long-term partnerships and leveraging our deep industry knowledge, we have consistently provided our clients with unparalleled investment opportunities and strategic advice.

Furthermore, we have continued to prioritize the development and expansion of our capabilities, investing in cutting-edge technologies and talent acquisition. Our dedicated team of professionals, with their diverse expertise and unwavering commitment, has been instrumental in our success. Together, we have built a robust platform that enables us to navigate complex financial markets and capitalize on emerging trends. Sustainability and responsible investing have also been central to our approach. We recognize the importance of integrating environmental, social and governance - ESG factors into our investment decisions, aligning ourselves with the growing demand for ethical and sustainable investment options. By incorporating ESG principles into our strategies, we not only generate value for our clients but also contribute to a more sustainable future.

Looking ahead, we remain optimistic about our future. We are well positioned to capitalize on the evolving market dynamics and emerging opportunities that arise. By staying true to our core values of integrity, innovation, and excellence, we are confident in our ability to deliver sustainable growth and create long-term value for our investors and shareholders. I would like to express my sincere gratitude to our esteemed investors and shareholders for their unwavering support and trust in us. It is through your continued partnership that we can forge ahead, realizing our vision of becoming a global leader in the assets investment and management industry.

On behalf of the entire team at Berkshire Capitals, I extend my heartfelt appreciation for your ongoing support. We are excited about the future and look forward to achieving new heights together.

Organization and Internal Governance

Organization's effectiveness

Our post-pandemic resilience

In 2020, the unprecedented impact of the pandemic on global health and the economy necessitated a swift and coordinated response from Berkshire Capitals to ensure business continuity and effectively address challenges. On entering 2021, our board and committees remained committed to these efforts as we embarked on the path to recovery.

Berkshire Capitals's Special Situations Global Office - SSGO conducted a comprehensive review of our management practices for the pandemic to identify strengths in special situation governance and areas for improvement. The board received the findings, which were based on feedback from core functions and external stakeholders, and approved the proposed enhancements.

This review acknowledged the commendable practices and rapid response capabilities demonstrated by Berkshire Capitals during the crisis. Our crisis management has been recognized both internally and externally, with 95 percent of employees considering it to be of high quality. However, the review also highlighted areas for improvement, including the importance of early and forward-looking threat identification, expedited decision-making processes, and enhanced coordination across the organization.

In addition to assessing our special situation governance, the board oversaw the measures taken to support our stakeholders:

- **Employees:** We reorganized our work processes to promote remote working and implemented protocols and preventive measures to safeguard the health of our employees across the firm.
- **Customers:** We revamped our digital and remote channels, providing customized solutions to assist both retail customers and businesses. We also implemented flexible loan conditions to support individuals and enterprises impacted by the pandemic, including payment holidays and grace periods. Additionally, we facilitated government-backed lines of credit and other public assistance measures swiftly.
- **Shareholders:** We conducted hybrid and remote general meetings, allowing shareholders to participate either in person or online. We also revised our shareholder remuneration policy in line with recommendations from regulatory authorities, such as the ECB.
- **Society:** We actively engaged with governments and institutions to contribute to the recovery from the crisis. This included donations of critical health equipment and supplies to support urgent needs.

Group and subsidiary board relations

Strengthening the relationship between Berkshire Capitals's board and its subsidiaries is vital for effective oversight of policies, controls, and corporate culture. The global pandemic over the past two years emphasized the importance of cross-border cooperation, which our proven Subsidiary Governance Model - SGM facilitates. To further enhance this governance model, several non-executive directors now serve on our subsidiary boards.

In 2023, we continued to hold committee chair conventions, which fostered coordination and emphasized the benefits of cooperation across border. Specifically, conventions for the audit, responsible banking, sustainability, and culture committees were held at Berkshire Capitals's headquarters in Austria. These events aimed to promote collaboration between countries, raise awareness about global initiatives and expectations, encourage collective discussions on current affairs and operational matters, and facilitate networking among attendees. The feedback received from participants was universally positive, affirming the success and productivity of these conventions. We will continue this approach to conventions in 2024 and beyond.

As we reflect on the challenges we have overcome and the resilience we have demonstrated, Berkshire Capitals remains steadfast in its commitment to navigating the ever-changing landscape. We are grateful for the support of our stakeholders and look forward to creating shared success in the years to come.

Our assessment and actions to continuously improve our functioning and advancement

Corporate governance is a paramount priority at Berkshire Capitals. Our firm has consistently received strong shareholder support for our governance model, as evidenced by high participation in general meetings and robust approval rates for corporate management and the re-election of executive leadership and directors. We recognize the need for governance arrangements to adapt to ever-changing business and strategic requirements, and therefore, we remain committed to continuously monitoring and enhancing the effectiveness of our governance bodies.

While we maintain confidence in the effectiveness of Berkshire Capitals's governance model, we regularly assess our governance framework with the assistance of external advisors whenever necessary. These evaluations allow us to ensure that our board possesses the necessary skills, competencies, and diversity required for effective functioning and constructive accountability in holding management to the highest standards through rigorous challenge.

At Berkshire Capitals, we firmly believe that robust corporate governance is essential for the sustainable growth and success of our firm. We are dedicated to upholding the highest standards of transparency, accountability, and integrity in all our operations. By consistently reviewing and strengthening our governance practices, we strive to maintain the trust and confidence of our shareholders, clients, and stakeholders.

Alignment of executive compensation with our strategic priorities

Following the implementation of the Capital Requirements Directive - CRD V, Berkshire Capitals's board has undertaken a comprehensive review of our remuneration scheme after five years to ensure its alignment with our strategy, the interests of our investors, and long-term sustainability. Through this process, we have taken decisive action to enhance our compensation framework in the following ways:

- **Introduction of stock options:** We have introduced stock options as part of the variable pay component to further align the interests of our employees with the returns generated for our shareholders.
- **Updated long-term compensation metrics:** Our revised scheme places greater emphasis on profitability and long-term value creation for Berkshire Capitals, measured through return on tangible equity - RoTE. We have also raised the threshold for total shareholder return - TSR metrics, ensuring that executives receive compensation for this metric only

when it exceeds 40 percent. Additionally, sustainability has been integrated into our compensation framework, with an ESG metric consisting of five sub-metrics aligned with our responsible investment management agenda.

- **Streamlined short-term corporate bonus metrics:** To sharpen our focus on our strategic priorities of customer satisfaction and profitability, we have reduced the number of short-term corporate bonus metrics from four to three. These metrics now include customers - 30 percent, return on risk-weighted assets - RoRWA 40 percent, and RoTE - 30 percent.
- **Alignment with strategic priorities:** We have made specific amendments to ensure our compensation scheme reflects our strategic priorities. Executive directors' compensation as board members will now be paid in capital instruments.

Engaging with our investors and shareholders

In recent years, Berkshire Capitals successfully navigated the challenges posed by the pandemic and trickling health crisis while engaging with our valued investors and shareholders. Despite the prevailing conditions, we remained committed to maintaining open lines of communication and preserving their loyalty. By leveraging a combination of traditional communication channels and virtual meetings, alongside special campaigns, we ensured that we remained aligned with their interests and needs. Embracing digitalization has been a key focus for Berkshire Capitals, allowing us to stay at the forefront of our core activities while strengthening our relationships with shareholders and investors. Through our digital initiatives, we were able to engage with approximately four million shareholders from around the world, providing them with meaningful opportunities to connect with Berkshire Capitals.

A significant portion of our efforts centered around providing detailed explanations of our governance and sustainability strategies. We recognized that investors are increasingly attentive to environmental, social, and governance - ESG performance, as well as the impact of our operations on society and the environment. Therefore, we were diligent in sharing how we address critical global challenges such as inequality and climate change. Open and constructive dialogue with analysts further contributed to our understanding of sustainability risks and opportunities, helping us refine our approach and incorporate ESG considerations into our remuneration scheme. By acting responsibly and proactively seeking long-term environmental and social solutions that foster inclusive and sustainable growth, we create value for our shareholders while earning their enduring loyalty.

This year, we maintained the same entirely virtual general format, fully complying with all legal obligations and safeguarding investors' and shareholders' rights. Through live online broadcasts, remote attendance at our general meetings was facilitated, ensuring that shareholders could exercise their rights to attend, participate, vote, make remarks, propose resolutions, and communicate with the notary public - an integral component of the process.

We firmly believe that our virtual general meetings offer shareholders equal opportunities for participation and engagement as in-person meetings. As a testament to this belief, we proposed an amendment to our by-laws during the general meeting to officially sanction entirely virtual general meetings. These updated by-laws provide even greater protections than required by law, enabling shareholders' requests to be addressed during general meetings or shared publicly on our corporate website if more time is needed for a response. The overwhelming support we received from shareholders worldwide demonstrates the widespread desire for greater flexibility in our general meeting regulations. With this new framework in place, shareholders can now participate fully without the need for travel, making the process more accessible and convenient for all.

Achieving Our Strategic Goals

Delivering on our promises

How we delivered

Long-term shareholder value

At Berkshire Capitals, our primary focus lies in generating long-term shareholder value. We understand the importance of effectively overseeing and supporting our management team in executing our strategic vision. By doing so, we aim to ensure that the returns for our shareholders accurately reflect the group's financial strength, performance, corporate culture, and commitment to sustainable growth.

Our efforts

In 2023, Berkshire Capitals continued to prioritize value creation for our shareholders by pursuing responsible and profitable growth. Throughout the year, we remained steadfast in our commitment to ESG principles, ensuring that they are integrated into every aspect of our operations. Our unwavering dedication resulted in consistent underlying quarterly profits exceeding USD 2 Billion and further improved shareholder profitability compared to pre-pandemic levels. This impressive performance can be attributed to our robust business model, unwavering focus on customer satisfaction, global reach, and strategic diversification.

SarsCov crisis governance

As we navigate through the challenges posed by the pandemic and the economic crisis, Berkshire Capitals is committed to diligently overseeing our response and risk management efforts. Our top priority remains the wellbeing of our employees, customers, and shareholders. We are dedicated to supporting our communities and fostering trust by leveraging the strength of our business model, strategic approach, and the resilient leadership of our teams. Together, we will persevere and emerge stronger, ensuring the continued growth and success of our organization.

Our efforts

Since the pandemic began, we have focused on devising and implementing measures to mitigate its impact.

We updated its special situations and resolution rule map with a revised corporate framework that the subsidiaries' boards had adopted in the prior year. The new rules emphasize pre-emptive management of events and streamlined escalation. In particular, we tightened centralized monitoring and oversight of subsidiaries to coordinate their decisions effectively.

We launched several initiatives to financially support customers affected by the pandemic and to safeguard our customers' and employees' health while guaranteeing normal services. To fight the pandemic in the countries where we operate, we took several social actions, such as providing essential health equipment and supplies.

High governance standards

Berkshire Capitals remains steadfast in upholding rigorous governance standards to fulfill our strategic objectives and ensure long-term prosperity. Our commitment to maintaining high standards of governance is vital in driving our ongoing effectiveness and ensuring alignment with best practices. We will continue to foster strong governance disciplines, as they serve as a crucial enabler for effective oversight and control across our organization.

Our corporate governance framework will be regularly reviewed and enhanced to incorporate recommendations from supervisory bodies, as well as national and international guidelines. By doing so, we strive to maintain the highest level of governance excellence and ensure our continued success.

Our efforts

In 2023, an extensive evaluation conducted by an external advisor confirmed that Berkshire Capitals's corporate governance adheres to regulatory requirements, industry best practices, and aligns with the structure of our Group. This robust governance framework facilitates effective management, enabling us to implement our strategy and maintain sound risk control measures.

Our dedication to upholding the highest governance standards is exemplified by our favorable rankings from ESG analysts who assessed our performance in 2023. These accolades reflect our unwavering commitment to responsible and transparent business practices.

Throughout the year, we diligently followed the recommendations and directives issued by supervisors, as well as national and international bodies. We thoroughly reviewed the European Banking Authority's - EBA latest guidelines on internal governance and remuneration, along with the joint guidelines from the European Securities and Markets Authority - ESMA on assessing the suitability of members of the management body and key function holders. We have taken the necessary steps to ensure compliance with these guidelines and accommodate any required measures.

Strategic growth initiatives

We are actively focused on driving strategic growth priorities that are integral to establishing Berkshire Capitals as the world's leading open financial services platform. These initiatives encompass One Berkshire, a unified operational and business model designed to revolutionize our customer service, providing an enhanced and simplified experience.

Additionally, we have an autonomous global payment platform that consolidates our payment businesses and banks

Our efforts

In pursuit of our goal to be recognized as the world's premier open financial services platform, we have made significant strides in 2023 through our three strategic initiatives: One Berkshire, An Autonomous Global Payment, and the Digital Consumer subsidiary. These initiatives have played a pivotal role in driving our transformation and strengthening our position in the market.

We have made notable progress in Europe with One Berkshire, laying the groundwork for a more interconnected approach

worldwide, enabling the rapid deployment of cutting-edge payment solutions to our global customer base. This global payment platform plays a pivotal role in the development of One Berkshire.

Lastly, we have the Digital Consumer subsidiary, a venture that integrates our rapidly expanding consumer lending arm, Berkshire Consumer Finance - BCF, to revolutionize our digital offerings and services. Through these strategic initiatives, we are positioning Berkshire Capitals at the forefront of innovation, delivering unparalleled value and ensuring an exceptional customer journey.

across customer segments and witnessing steady growth. As we enter 2024, our focus will be on leveraging our scale to implement a unified operational and business model that will further enhance our capabilities.

Our Autonomous Global Payment has emerged as a global payment platform catering to all our clients and the broader market. Its acquiring solution is already operational in six markets, serving over a million merchants, while its international trade solution has expanded to several markets.

The Digital Consumer subsidiary has demonstrated robust financial performance and witnessed a significant expansion of its customer base as it strives to become the leading digital consumer credit bank.

Through these strategic initiatives, we are reinforcing our commitment to technological innovation and earning the unwavering loyalty of our customers. We remain dedicated to providing exceptional services and products, and we are confident that our continued focus on these initiatives will position Berkshire Capitals as a leader in the global financial services landscape.

Our Priorities For Next Year

Developing strategic initiatives: One Berkshire, Our Autonomous Global Payment and Digital Consumer Subsidiary

Throughout 2021, we have diligently overseen the three strategic initiatives we launched prior, aligning them with our vision of becoming the world's premier open financial services platform. In doing so, we have placed great emphasis on acting responsibly and cultivating trust among our employees, customers, shareholders, and the society.

- **One Berkshire:** We have implemented a unified operational and business model, known as One Berkshire, which aims to revolutionize the way we serve our customers. Through this initiative, we are committed to providing a simpler and enhanced customer experience, ensuring their needs are met with utmost efficiency and convenience.
- **Our Autonomous Global Payment:** Our autonomous global payment platform brings together all Berkshire clients and the open market. This comprehensive platform includes the payments hub, as well as our acquiring and international trade businesses. Its primary objective is to accelerate the deployment of payment solutions to our customers worldwide, playing a crucial role in the development of One Berkshire.

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- **Digital Consumer Subsidiary:** We have successfully integrated Berkshire Consumer Finance - BCF and our rapidly expanding auto and consumer finance businesses. This integration aims to propel the technological transformation of our consumer finance sector, ensuring long-term profitability and sustained growth in this area.

- **Ensuring Responsible and Profitable Growth**

Our primary focus remains on generating profitable growth in a responsible manner, aiming to create long-term value for our shareholders and all stakeholders. We are committed to fulfilling our environmental, social, and governance - ESG commitments, including achieving net-zero emissions by 2050, raising 55 billion euros in green financing by 2025, and empowering 5 million individuals, including small and medium-sized enterprises financially by 2025.

In 2024, we will establish new short- and medium-term climate change objectives that align with our long-term climate commitment, further solidifying our commitment to sustainable practices.

- **Strengthening Governance for Long-Term Vision**

We will continue to enhance our corporate governance by implementing the improvement measures identified in our 2023 review. Our aim is to ensure that our management bodies operate in accordance with national and international best practices, meeting the expectations of supervisors. By upholding strong governance standards, we reinforce our long-term vision and strategy.

- **Maintaining Capital Discipline and Creating Shareholder Value**

In 2024, our capital management strategy will prioritize organic growth, focusing on businesses that offer high returns on risk-weighted assets - RoRWA and deliver value to our shareholders. As part of our commitment to shareholder remuneration, we aim to distribute 40 percent of the 2024 underlying profit. This distribution will be divided equally between cash dividends and share buybacks, offering our shareholders a balanced and attractive return on their investment.

Through these initiatives, we strive to ensure responsible growth, strengthen our governance practices, and create sustainable value for our shareholders and stakeholders.

Financials

Berkshire Capitals adheres to the International Financial Reporting Standards - IFRS when reporting its results. While the consolidated directors' report provides an overview of our financial situation based on these results, we also utilize non-IFRS measures and Alternative Performance Measures - APMs to evaluate our performance.

Therefore, we make certain adjustments to our IFRS results, which include:

- **Underlying Results Measures:** We present underlying results measures that exclude items outside the ordinary course of business, which are consolidated under the net capital gains and provisions line. These measures allow for a more accurate year-on-year comparison, providing a clearer understanding of our performance. Additionally, we present underlying results by business area in compliance with IFRS and reconcile them with our IFRS consolidated results in the consolidated financial statements.
- **Local Currency Measures:** To assess the ongoing operating performance of our business, we utilize certain non IFRS financial indicators in local currency. These measures exclude the impact of exchange rate fluctuations and focus solely on the underlying performance of our subsidiary institutions outside the eurozone. As changes in exchange rates have a non-operational impact on results, evaluating performance in local currency provides management and investors with a meaningful assessment of our performance.

In order to enhance clarity, we have rounded certain figures in this consolidated report. Therefore, in some instances, the totals presented in tables may not align precisely with the sum of individual figures in the corresponding column or row.

Situation of Berkshire Capitals

At Berkshire Capitals, our purpose is to foster prosperity for individuals and businesses in a manner that is simple, personal, and fair. We not only fulfill our legal and regulatory obligations but also strive to surpass expectations. Our focus lies in areas where we can make the greatest impact, supporting inclusive and sustainable economic growth.

We engage in a wide range of asset investment and management activities, operations, and services, leveraging our strong track record, business model, and strategic execution to become the premier open digital financial services platform. By acting responsibly and earning the lasting loyalty of our stakeholders, including customers, shareholders, employees, and communities, we aim to create a positive and enduring impact.

Despite the lingering effects of the global pandemic and the current conflict in Ukraine, we actively contributed to economic recovery and continued to support our customers and society at large. The world is increasingly digital, and the pandemic has accelerated this transformation. Consequently, we are committed to providing our customers with digital products and services that

cater to their needs and facilitate their digital journey. However, we also recognize the importance of ensuring access to financial services for customers who may not be digitally perceptive, ensuring inclusivity and leaving no one behind.

To interact with our customers effectively, we employ multiple channels. We have universal branches and specialized centers catering to specific customer segments such as businesses and universities. Moreover, we are actively promoting collaborative spaces equipped with cutting-edge digital capabilities. Our contact centers, renowned for delivering exceptional service quality, continue to serve our valued customers.

Berkshire Capitals offers a wide variety of investment management, financial and related products and services to private individuals, corporate entities and institutional clients around the world. This investment management, financial and related products are spread across these groups of instruments and verticals or industry sectors:

- **Stocks:** Berkshire Capitals offers stock selection and portfolio management services, helping clients invest in individual stocks or diversified portfolios of stocks based on their investment goals and risk preferences - **01**
- **Bonds:** Berkshire Capitals provides expertise in bond investments, assisting clients in investing in government bonds, corporate bonds, municipal bonds, and other fixed-income securities. They offer guidance on selecting suitable bonds and managing bond portfolios - **02**
- **Mutual Funds:** Berkshire Capitals offers a range of mutual funds managed by their experienced team. These funds provide clients with diversification across asset classes, including stocks, bonds, and other securities, aligned with different investment strategies - **03**
- **Exchange-Traded Funds - ETFs:** Berkshire Capitals helps clients invest in ETFs that align with their investment objectives. They provide recommendations and insights on ETFs focused on specific indexes, sectors, or asset classes - **04**
- **Options and Futures:** Berkshire Capitals offers expertise in options and futures trading, assisting clients in using these derivative contracts for hedging or speculative purposes. They provide guidance on trading strategies and also, risk management - **05**
- **Real Estate Investment Trusts - REITs:** Berkshire Capitals offers access to REITs, allowing clients to invest in income-generating real estate properties. We provide research and analysis to help clients select suitable REITs based on their investment preferences - **06**
- **Commodities:** Berkshire Capitals provides commodity-trading services, assisting clients in investing in various commodities such as gold, silver, oil, natural gas, and agricultural products. We offer insights and strategies for commodity trading using futures contracts, options, or commodity-linked securities - **07**
- **Hedge Funds:** Berkshire Capitals manages hedge funds tailored to the investment goals and risk tolerance of qualified clients. These funds employ diverse investment strategies and aim for higher risk-adjusted returns - **08**

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- **Private Equity and Venture Capital:** Berkshire Capitals specializes in private equity and venture capital investments. We identify promising privately held companies at different stages of growth and offer investment opportunities to qualified clients - **09**
 - **Fixed Deposits and Money Market Instruments:** As an investment management institution, we offer advisory services on fixed deposits and money market instruments, guiding clients in investing in low-risk instruments such as Treasury bills, commercial paper, and certificates of deposit to meet short-term liquidity needs - **10**

Berkshire Capitals also deal with clients and investors across various industry sectors or verticals, depending on their investment strategies and client preferences. Here are some of the industry sectors or verticals that we are currently involved in through the course of our inception:

- **Technology:** We specialize in investing in technology companies, including software, hardware, semiconductors, telecommunications, e-commerce, and other technology-related sectors. We offer in-depth research and analysis to identify investment opportunities in established tech giants as well as emerging startups - **11**
- **Financial Services:** As an investment management institution, we provide investment management services in the financial services sector. We offer expertise in investing in banks, insurance companies, asset management firms, brokerage firms, fintech companies, and payment processors. We stay informed about regulatory changes and industry trends to make informed investment decisions - **12**
- **Healthcare and Pharmaceuticals:** Berkshire Capitals offers investment solutions in the healthcare and pharmaceutical sectors. We analyze companies involved in pharmaceuticals, biotechnology, medical devices, and healthcare services. Our expertise helps clients navigate the complex landscape of research, development, manufacturing, and distribution in the healthcare industry - **13**
- **Consumer Goods and Retail:** Berkshire Capitals assists clients in investing in consumer goods and retail companies. We provide guidance on investments in companies involved in food and beverages, personal care products, clothing, and retail businesses, including e-commerce and online retail. Our insights in their best interests, help clients capitalize on changing consumer trends - **14**
- **Energy and Utilities:** Berkshire Capitals focuses on investments in the energy and utilities sectors. We analyze companies involved in oil and gas exploration, production, refining, renewable energy, utilities, and related infrastructure. Our expertise helps clients identify opportunities in this dynamic industry - **15**
- **Industrial and Manufacturing:** Berkshire Capitals offers investment management services in the industrial and manufacturing sectors. We assess companies involved in aerospace, automotive, engineering, construction, machinery, and manufacturing processes. Our expertise in their full potential and respective capabilities and strength helps clients identify companies with strong market positions and growth potential - **16**

- **Real Estate:** Berkshire Capitals specializes in real estate investments. We provide advisory services for investing in residential, commercial, and industrial properties. We also help clients navigate the real estate market, including direct property investments and investments through real estate investment trusts - REITs and other real estate-related instruments - **17**
- **Consumer Services:** Berkshire Capitals offers investment solutions in consumer services. We analyze companies in the hospitality, leisure, entertainment, travel, and restaurant sectors. Our expertise helps clients capitalize on consumer-oriented businesses, including experiences, entertainment venues, hotels, and dining establishments - **18**
- **Transportation and Logistics:** Berkshire Capitals assists clients in investing in the transportation and logistics industry. We analyze companies involved in airlines, shipping, railroads, trucking, logistics providers, supply chain management, and e-commerce logistics. Our insights help clients navigate this critical sector - **19**
- **Natural Resources:** Berkshire Capitals provides investment management services in the natural resources sector. We assess companies involved in mining, metals, agriculture, forestry, and water resources. Our expertise helps clients identify investment opportunities in resource extraction, processing, and distribution - **20**

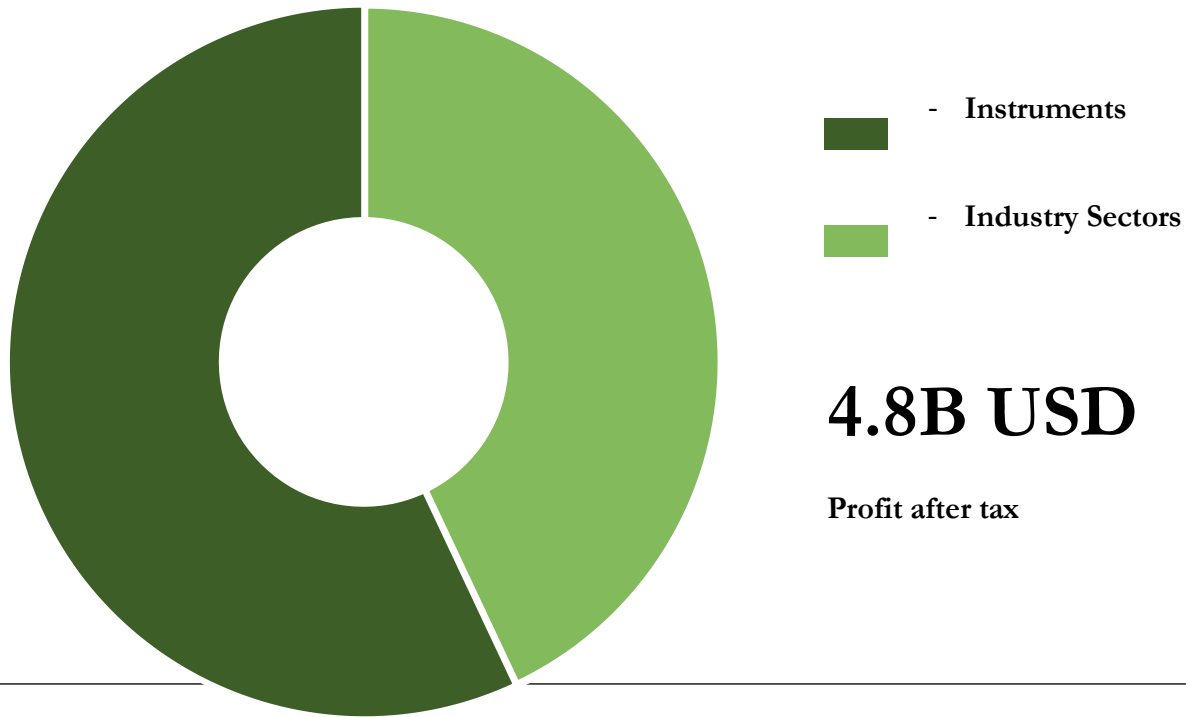
Instruments	01	02	03	04	05	06	07	08	09	10
Annual Return	0.209	0.185	0.106	0.338	0.283	0.238	0.138	0.309	0.155	0.103
Percentage	10.13	8.96	5.14	16.38	13.71	11.53	6.69	14.97	7.51	4.98

Instruments - 2.064B USD

Industry Sec.	11	12	13	14	15	16	17	18	19	20
Annual Return	0.218	0.407	0.185	0.203	0.338	0.255	0.199	0.265	0.323	0.343
Percentage	7.97	14.88	6.76	7.42	12.35	9.32	7.27	9.69	11.81	12.53

Industry Sector - 2.736B USD

Profit after tax - 4.8B USD



Risks

Credit risk

Introduction

Credit risk is the risk of financial loss due to the failure to pay or impaired credit of a customer or counterparty which we have financed or maintained a contractual obligation with. It is our most significant risk in terms of exposure and capital consumption, and includes counterparty risk, country risk and sovereign risk.

Managing credit risk

We take a holistic view of the credit risk cycle, which includes the transaction, the customer and the portfolio to identify, analyze, control and decide on credit risk. Credit risk identification is key to managing and controlling our portfolios effectively. We classify external and internal risks in each business and adopt corrective and mitigating measures when needed through the following processes:

- Planning – our planning helps us set business targets and draw up concrete action plans within our risk appetite statement. Strategic commercial plans are a risk management and control tool the business and risk areas prepare for our credit portfolios. They determine commercial strategies, risk policies, resources and infrastructure, ensuring a holistic view of portfolios. In addition, they provide us with an updated view of portfolio credit quality to measure credit risk; run internal controls over the strategy with regular monitoring; detect significant deviations in risk and potential impacts; and take

corrective actions when necessary. These strategic commercial plans align with our risk appetite and our subsidiaries' capital targets, and are approved and monitored by senior managers at each subsidiary before the group reviews and validates them.

- Credit rating and risk assessment – to analyze customers' ability to meet contractual obligations, we use assessment and parameter estimation models in each of our segments. Our credit quality assessment models are based on credit rating engines, which we monitor to calibrate and adjust the decisions and ratings they assign. Depending on each segment, engines can be rating from mathematical algorithms that use a quantitative module based on balance sheet ratios or macroeconomic variables, and a qualitative module supplemented by credit analysts' expert judgement and scoring.

We regularly monitor and evaluate models' suitability, predictive capacity, performance, granularity, compliance with policies and other related factors. We review ratings with the latest financial and other relevant information. We increased the reviews for customers who are subject to close observation or automatic warnings in risk management systems.

- Credit risk mitigation techniques – risk approval is generally determined by the borrowers' ability to pay when financial obligations fall due, regardless of any additional collateral or personal guarantees we require from them. We analyze funds or net cash flows from their businesses or income with no guarantors or assets pledged as collateral. When approving a loan, we always consider guarantors and collateral as a secondary means of recourse if the first channel fails. Guarantees are a reinforcement measure in a credit transaction to mitigate a loss if the borrower defaults on their payment obligation.

We have credit risk mitigation techniques for various types of customer and product. Some are for specific transactions while others apply to a series of transactions. They can be grouped into personal and real guarantees or with credit derivatives coverage.

- Limits, pre-classification and pre-approval – we use strategic commercial plans to manage credit portfolios, defining limits for each of them and for new originations in line with our credit risk appetite and our target risk profile. Introducing our risk appetite into portfolio management strengthens controls over our credit portfolios.

Our limits setting processes, pre-classifications and prep-approvals determine the risk we can assume with each customer. Limits are approved by the executive risk committee or delegated committees and should reflect a transaction's expected risk-return. We use different limits models based on the segment.

Compliance and conduct risk

Introduction

According to our three lines of defense model, the Compliance and Conduct risk function is an independent control function within the second line of defense. It reports directly and periodically to the board of directors and its committees through the group chief compliance officer. The compliance and conduct function, as the second line of defense, will facilitate critical and independent debate. It will also exercise oversight and control of the first line of defense's management of regulatory compliance, product governance and consumer protection, financial crime compliance, and reputational risk. Additionally, it will ensure that risks are

managed in accordance with the risk appetite formulated by senior management while assessing the impact on our risk appetite and risk profile.

The responsibility of the second line of defense includes the obligation to inform the relevant governance bodies when necessary, of risks, risk appetite and risk excesses. It should adopt and promote a common risk culture and provide guidance, advice and expert judgment on all relevant matters relating to compliance and conduct business.

The compliance program is one of the key processes of the compliance and conduct risk function and details the main activities to be developed throughout the year. The parent company and each of the subsidiaries execute a compliance program appropriate to their size and complexity which is structured around the four management areas mentioned above, being a key tool that enables the supervision of our subsidiaries and the control environment.

Managing compliance and conduct risk

The compliance and conduct risk ensures compliance with the general code of conduct – GCC under the supervision of the compliance and the risk supervision, regulation and compliance committees. The GCC dictates the ethical principles and conduct rules that must govern our employees' work. It is to be understood and applied along with all other internal regulation. It sets out the regulatory compliance function monitors and controls regulatory risk from employees, data processing and market regulations together with Berkshire Capitals's compliance team. Its core areas are:

- Employees – the regulatory compliance function promotes a culture of ethics and compliance among our employees. It sets internal standards to prevent criminal risks, conflicts of interest and anti-competitive practices according to the GCC. To enhance the our compliance system, in the previous year, the function launched in our core units a competition law programme based on international standards and best practices from competition authorities. Its main elements are policies, training, awareness, identification of risk areas, risk domains, controls, and disciplinary proceedings. It helped us reduce risk from failure to comply with competition regulation while tightening our monitoring and awareness so employees could recognize and report breaches.

This year:

- We updated mandatory employee training, with a message from senior management.
 - We enhanced our methodology for measuring competition risk.
 - We drafted conduct guidelines so employees can recognize and report risk situations and seek advice from our legal and compliance areas.
- Market abuse – the Market abuse function's control room team applies the code of conduct in securities markets to prevent risk from trading with or making unlawful disclosures of inside information and from market manipulation. In the previous year, the surveillance team has worked together with the our compliance area performing the monitoring of the traders and overseeing their trades and communications.

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- Regulatory compliance is responsible for – announcing our relevant information to markets. This year, we made public several inside information and other relevant information, which are available on our website. It is also responsible for disclosing transactions relating to own shares and major shareholding notifications of Berkshire Capitals; and major shareholding notification and remuneration schemes of the firm's board members and senior managers - CNMV and other regulatory bodies of those markets where Berkshire share is listed.
 - Data processing – this year, data processing focused on:
 - Adopting measures to comply with new regulation on international data transfers: identification of data flows and affected suppliers; impact analysis and additional guarantee proposals; and negotiation and signing of new contracts.
 - Monitoring closely our adaptation of digital assets to regulation on transparency obligations and consent management. We have made significant progress on our control framework by updating our unit-monitoring programme, improving management metric traceability, enhancing reporting and monitoring tools, and expanding our perimeter to countries outside the European Economic Area - EEA. We also revised and approved a new corporate policy on data protection.
 - Market regulation – Berkshire Capitals's compliance team manages risks from core international market regulation that affects Berkshire Capitals by:
 - Regulatory landscape assessment - the compliance team conducts a comprehensive assessment of international market regulations that affect Berkshire Capitals's operations. They identify key regulatory bodies and jurisdictions relevant to the firm's investment activities. The team also keeps track of regulatory updates and changes to ensure they stay up-to-date with evolving compliance requirements.
 - Compliance policies and procedures - based on the regulatory landscape assessment, the compliance team develops and maintains a set of compliance policies and procedures. These policies outline the specific regulatory requirements and expectations for the firm. The team also ensures that the policies are aligned with the core international market regulations, covering areas such as investor protection, anti-money laundering, know-your-customer requirements, market manipulation, and insider trading.
 - Compliance training and education - the compliance team provides training and education programs to all relevant employees within Berkshire Capitals. These programs help employees understand the core international market regulations, their implications, and the importance of compliance. Training sessions may include workshops, seminars, online courses, or regular compliance updates to keep employees informed about any regulatory changes or developments.

Auditor's Statement and Closure

Dear Investors and Shareholders,

We have audited the attached remuneration report of Berkshire Capitals, prepared to comply with English Stock Corporation Act for the fiscal year ended 2023 and the related disclosures.

Responsibilities of the executive directors and the supervisory board

The executive directors and supervisory board of the firm are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of the regulation and act. In addition, the executive directors and supervisory board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

The preparation of the consolidated financial statements requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its judgements and accounting estimates, which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, on an ongoing basis. Actual results may differ from these accounting estimates under different assumptions or conditions.

Estimates and judgements that are considered important to the portrayal of our financial condition including, where applicable.

Responsibility of the auditor

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with English Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in England. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the

reasonableness of accounting estimates made by the executive directors and supervisory board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year ended 2023 and the related disclosures comply, in all material respects, with the financial reporting provisions.

Yours in service,

Max Blumenthal M.
Independent Auditor,
England, U.K

Berkshire Capitals

This statement cautions that investments may not always yield profits and that investing involves risk. The document is intended for informational purposes only and should not be relied upon as the sole basis for evaluating any investment. It is general in nature and does not take into account the specific investment objectives, financial situation, knowledge, experience, or particular needs of any person. It does not constitute a prospectus, offer, invitation, or solicitation to buy or sell securities or other investment products.

The document may provide an overview of the products or services that the company may potentially offer, but investors should consider whether any of these products or services are suitable for their particular circumstances and needs. It is not intended to provide investment, tax, legal, accounting, regulatory, or other advice, and investors should seek advice tailored to their specific circumstances, including the impact of the investment on their personal tax position, from their own tax adviser. Investors are solely responsible for managing their tax, accounting, legal, and regulatory affairs, including any applicable filings and payments and complying with any applicable laws and regulations. The company does not provide tax, accounting, legal, or regulatory advice and investors should obtain their own independent advice. Any offer or transaction with the company requires its subsequent formal agreement, subject to internal approvals and execution of binding transaction documents.

Investment products are subject to investment risks, including market and currency exchange risks, fluctuations in value, and possible loss of principal invested. Past performance does not predict or guarantee future performance. The accuracy or completeness of any modeling, scenario analysis, or back-testing is not guaranteed, and investors should carry out their own due diligence and verification of such information.

The document may become outdated and its contents may change at any time without prior notice. The company has no obligation to update or correct the document or inform investors of any changes. Any estimates and opinions included in the document represent the company's judgment as of the document's date and are subject to change without notice, and the company has no obligation to provide revised estimates or opinions. Unless expressly stated, products are not guaranteed by the company or its affiliates or any government entity.

