Greenstone

Greenstone Equity Partners Financial Products Promotion LLC

Disclosures Re: Capital Adequacy

Capital Management and Allocation

The Company was granted a license (license no. 20200000180) by the Securities and Commodities Authority (SCA) to undertake the activity of Managing Investments of Investment Funds in April 2024 and has accordingly, adopted the capital adequacy requirements for Core Capital – Tier I and Supplementary Capital – Tier II, as set forth by SCA.

Core Capital – Tier I: This category includes equity, unconditional capital contributions, retained profits and profits and losses for the current period, less intangible assets.

Supplementary Capital – Tier II: This category includes subordinated loans and the revaluation reserve.

As such, the Company is required to maintain sufficient capital in relation to its business, taking into consideration the multiple risks that it may be exposed to, and is obliged to allocate part of its capital, representing the minimum of its capital, for facing and managing such risks.

In April 2025, the Company increased its share capital to AED 10,000,000 to ensure it maintains a capital adequacy ratio above 1 and has sufficient capital to cover its risk exposure.

Risk management and financial instruments

The Company's risk appetite represents the amount of risk it is willing to undertake in the achievement of its strategic objectives. Risk identification, assessment and treatment are part of the Company's yearly business planning process, and the Board has tasked the Risk Management Officer to conduct annual internal risk assessments. However, new risks are managed as they arise, and all risks are re-assessed should there be any organizational change to the business structure.

1. The first line of defense for the Company are the risk owners. Risk owners are the key personnel/senior management involved in day-to-day business and management of the Company. Risk owners are responsible for managing the risks inherent in the business units for which they are responsible;

2. The second line of defense for the Company is the Risk Management Officer, supported by the Compliance department. The Risk Management Officer is responsible for designing risk and control policies and methodologies, monitoring performance and compliance, identifying and reporting risks and providing independent and appropriate challenge to the first line of defense; and

3. The third line of defense for the Company is:

- its Risk Management Committee which reviews all aspects of the Company's risk management processes and controls; and
- undergoing internal and external audit which provides independent assurance of certain risks and policies.

The Company has exposure to the following risks:

- Credit Risk
- Operational Risk
- Market Risk

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To mitigate this risk, the Company only trades with recognised, creditworthy third parties and transacts with institutions and banks that have demonstrated financial soundness. Lastly, given that a significant portion of this balance is receivable from its parent entity, guaranteeing its collectability, the management believes that the credit risk in respect of these balances is minimal.

Operational Risk

Operational risk is the risk related to people, processes, controls, systems, or external events. The Company recognizes that operational risk is not just the direct risk of financial loss from an unexpected event, but also the indirect impact of not achieving strategic goals: for example, lost revenue due to not attracting the required talent, inefficient processes and controls, uncompetitive systems or the inability to react to market changes. The Company actively manages operational risk by hiring competent employees, conducting regular trainings, implementing robust processes and internal controls, having adequate insurance in place, and continually monitoring business operations.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The Company is not exposed to significant foreign exchange risk as it primarily transacts in UAE Dirhams (AED), which is the Company's functional currency.

Interest Rate Risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Company currently does not have any loans, leased assets or other interest-bearing liabilities and hence, is not exposed to a significant interest rate risk.