



# MFEX AB Policy for Internal Governance and Control

Applicable to MFEX AB

Set of Minimum Requirements directly applicable to MFEX Mutual Funds Exchange AB as the parent of the MFEX Group and to be transposed by MFEX France, MFEX Luxembourg, MFEX Hong Kong, MFEX Singapore, MFEX Malaysia, MFEX Switzerland, Global Fund Watch AB, their branches and representative offices as applicable.

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## 1. Introduction/background

This policy describes the governance of MFEX Mutual Funds Exchange AB (“MFEX” or “the Company”), including an overview of the relevant governance matters at group level, and in particular sets out its legal and corporate structure, a detailed overview of its governance bodies (Board and management level), risk and internal control framework, its business organisation and corporate values.

The Company, being a regulated investment firm, must ensure compliance with governance requirements on a solo basis. Although the group of MFEX entities (being MFEX Mutual Funds Exchange AB and all its direct and indirect subsidiaries) have been exempted of prudential and governance sub-consolidation<sup>1</sup> under IFR/IFD by the Swedish Financial Supervisory Authority (FSA) as they fall within the consolidation perimeter of Euroclear SA/NV under CRD V and the Belgian Banking Law, MFEX group applies sub-consolidated best governance practices on a voluntary basis. Since it acts as operational holding for the group of MFEX entities, it is MFEX Mutual Funds Exchange AB who takes a consolidated governance approach. This Policy therefore includes the consolidation principles applied by the Company on a voluntary basis.

This document to be approved by the Board of Directors aims at evidencing that the governance of the Company provides a suitable framework to ensure sound and prudent management and oversight of the Company (and its subsidiaries), bearing in mind its business, size and risk profile.

The internal governance system and its components form the basis, and set the framework, for the internal governance and control at MFEX. It is of paramount importance that the components of this system be formulated clearly and specifically in order to enable all employees of MFEX to understand the content. The employees’ insight in and understanding of the internal governance framework is a necessity in order to achieve a satisfactory level of internal governance and control. The internal governance framework shall be effective and adapted to MFEX’s business and organization. It shall be integrated in other decision processes and contribute to achieving the business objectives. The governance framework shall be based on strategies, objectives and values decided by the Board.

## 2. Legal and Regulatory Framework

The Board shall establish governing documents regarding various regulatory requirements in order to secure a high level of internal governance and control. These governing documents shall stipulate how the Company shall conduct its business in order to be compliant in each specific area. The governing documents shall reflect MFEX’s internal regulation.

The Policy is based on applicable rules and regulations in Sweden, which are in turn based on EU regulation.

- Swedish legal requirements:
  - the Securities Market Act (2007:528) 8 Ch. 8 §
- EU legal requirements:
  - the Commissions’ delegated regulation (EU) 2017/565 art. 21

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<sup>1</sup> Prudential and governance sub-consolidation should be distinguished from accounting sub-consolidation which is still mandatory at MFEX group level. To note that the previous top holding of MFEX group MFEX Holding AB has been merged into MFEX Mutual Funds Exchange AB in December 2022.



- Article 26 (1) of Directive (EU) 2019/2034 requires investment firms to have robust governance arrangements, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility.
- Article 28 of Directive (EU) 2019/2034 sets out requirements for the involvement of the management body in risk management and the setting up of a risk committee for investment firms.
- EBA Guidelines on internal governance under Directive (EU) 2019/2034 (EBA/GL/2021/14)

### 3. Scope

This policy is applicable to the Company, its branches and representation offices.

This document shall be made available on a shared common storage of the Company.

All reference to he/she and his/her should be taken gender neutral and also be interpreted as “they”.

### 4. Responsibilities and Oversight

This Policy shall be adopted by the Board, at least, annually or more often if needed. All roles and responsibilities required by board of directors and CEO is specified in the group policy of governing of documents.

The Board of Directors of MFEX AB has approved this Policy in line with the relevant delegations.

CEO is accountable for overseeing its implementation.

Corporate Secretariat will:

- review this Policy annually and report any review findings to Senior Management;
- recommend amendments or additions, when appropriate.

It is the responsibility of the impacted business owners to ensure all relevant requirements arising from this Policy are translated into their respective procedures and included in their internal control frameworks.

#### 4.1 Document Owner

Document Owners are responsible for the publication and distribution of the Governing documents, to the relevant Representatives. Document Owners may delegate their responsibilities according to above if such delegation is considered to be suitable.

The Document Owner is responsible for reviews and updates of the Governing Document, in question. A review may, for instance, be required due to changes in laws, rules or other detailed regulation from the supervisory authorities. It may also be required due to the fact that new products or services will be offered by the Company.

#### 4.2 Control functions

It is the responsibility of the CEO to secure that internal governance and control is implemented through MFEX’s business in accordance with the instructions given by the Board.



It is the responsibility of the CEO to ensure that this Policy is available to all employees, and that they are informed about, and comply with, the content of this Policy.

### 4.3 Responsibilities of the stakeholders

Corporate Secretariat is the responsible stakeholder to this policy.

The stakeholders need to specify and add responsibility and oversight in regard to this policy. In addition, the stakeholders are responsible to define and implement the controls necessary to comply with this Policy, with support from the Policy Document Owner.

### 4.4 Responsibilities of the Representatives (employees)

Every Representative of MFEX must know and understand the content of the Policies and how they are implemented into their work when representing the Company. The Representatives must raise questions and/or concerns about non-compliance or unmitigated risks with his/her Manager, the CEO, the Risk Officer or the Compliance Officer of MFEX.

## 5. Legal and Corporate Structure

This section of the Policy describes the legal structure of the Company, including how it fits into the overall "Euroclear Group" (being Euroclear Holding SA/NV and all its direct and indirect subsidiaries) organization and structure.

MFEX AB is a limited liability company ("Aktiebolag"), the purpose of which is stated in the articles of association. MFEX Mutual Funds Exchange AB is approved as an investment firm by the Swedish Financial Supervisory Authority (FSA) - under identification n° 035164. MFEX is authorized and licensed by FSA to provide reception, transmission and execution of orders, safekeeping and foreign exchange services.

### 5.1 Shareholders

Euroclear Holding SA/NV is the ultimate shareholding company of MFEX, whereas Euroclear SA/NV (ESA) is the operational holding of the Euroclear Group to which the Company belongs. See page 9 for the Group Structure chart.<sup>2</sup>

Following the reverse merger between MFEX Holding AB and MFEX AB in December 2022, ESA has become the immediate and 100% shareholder of the Company.

As parent entity of a Belgian credit institution (EB), ESA qualifies - and is regulated - as an approved financial holding company as referred to in article 212/1 and following of the law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms (the "Banking Law"). ESA is also designated by Euroclear Holding SA/NV (exempt financial holding company in the meaning of art 212/2 of the Banking law) as the entity responsible to ensure compliance of the Euroclear Group with prudential requirements on a consolidated basis.

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<sup>2</sup>MFEX Branch in Krakow (Poland) were deregistered as from 26<sup>th</sup> of October 2024. The representation offices in Milan (Italy) and Dublin (Ireland) will officially close with target December 2024.



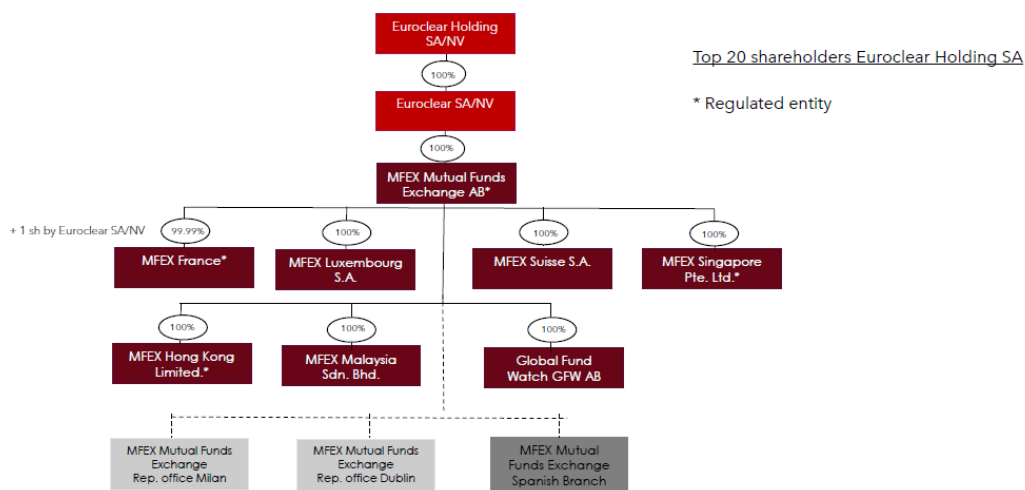
As such the Company being an investment firm, and thus financial institution, (as well as its other regulated subsidiaries MFEX France,<sup>3</sup> MFEX Hong Kong and MFEX Singapore) falls within the scope of the regulatory consolidated oversight obligations of ESA under CRD V and the Banking Law.

### 5.1.1 General Meeting of Shareholders

The General shareholder meeting operates in accordance with chapter 7 of the Swedish Companies Act (2005:551).

## 5.2 Subsidiaries

MFEX subsidiaries comprise MFEX France, MFEX Luxembourg, MFEX Hong Kong, MFEX Singapore, Global Fund Watch, MFEX Switzerland and MFEX Malaysia.



as per 26th October 2024

### 5.2.1 MFEX France SA

MFEX France SA, a French incorporated “société anonyme”, authorized by the French Regulator - Autorité de Contrôle Prudentiel et de Resolution - to provide investment advice and securities placing.

### 5.2.2 MFEX Luxembourg SA

MFEX Luxembourg SA, a limited liability company organised and existing under the laws of Luxembourg. MFEX Luxembourg SA has surrendered its license as investment firm on 31 December 2023 and is since then operating as a non-regulated company providing administrative services to the MFEX group. entities . MFEX Luxembourg is planned to be sold to Euroclear SA/NV in the light of the intended restructuring of ESA presence in Luxembourg.





### 5.2.3 MFEX Malaysia Sdn Bhd

MFEX Malaysia Sdn Bhd, a limited liability company organised and existing under the laws of Malaysia. The company is providing administrative services to the MFEX group but is not a financial institution.

### 5.2.4 MFEX Singapore Pte Ltd

MFEX Singapore Pte. Ltd., a private company limited by shares organised and existing under the laws of Singapore. The company is a financial institution and licensed by the Monetary Authority of Singapore to provide custodial services and dealing in securities.

### 5.2.5 MFEX Hongkong Limited

MFEX Hong Kong Limited, a limited liability company organised and existing under the laws of Hong Kong. The company is a financial institution and authorized by the Securities and Futures Commission to carry out Type 1 regulated activity of dealing in securities under the Hong Kong legislation.

### 5.2.6 MFEX Switzerland

MFEX Switzerland, a limited liability company organised and existing under the laws of Switzerland. The company is providing local client relationship services and is not a financial institution.

### 5.2.7. Global Fund Watch GFW AB

Global Fund Watch GFW AB, a private limited liability company ("Aktiebolag") incorporated in Sweden. The company is a digital due diligence platform and not a financial institution.

## 5.3 Branches and Representative Offices

MFEX have a branch<sup>4</sup> in Madrid (Spain) as well as representative offices in Milan (Italy) and in Dublin (Ireland). They are duly registered with the corresponding corporate registries and are operating in accordance with the passporting system. MFEX Branch Spain has further obtained the "comercializador" status provided by CNMV. Krakow branch has been deregistered as of 23 October 2024. Rep. Offices in Milan and Dublin are in the process of being closed in the light of the further corporate streamlining of MFEX

## 6. Governance Bodies

This section describes governance structure, composition and functioning of the following MFEX governance bodies:

- Board of Directors
- Board specialised committees

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<sup>4</sup> MFEX Branch in Krakow (Poland) were deregistered as from 26<sup>th</sup> of October 2024. The representation offices in Milan (Italy) and Dublin (Ireland) will officially close with target December 2024.



## 6.1 Governance bodies and Group Context

The Company shall be managed by a Board of Directors, in accordance with the applicable legislation and regulatory requirements.

### Relationship with Euroclear Group

For being part of the regulated Euroclear Group as investment firm, MFEX Board needs to consider in their decision-making process group guidance issued by ESA. The Board has adopted the "Euroclear Group Matters Protocol" identifying the group matters requiring a consolidated, group-wide alignment and coordination within the regulated Euroclear Group based on shareholders' expectations and/or regulatory requirements. The "Euroclear group matters protocol" contains the principles of elaboration, proportionate risk-based implementation, and monitoring across the Euroclear group of minimum requirements in the identified consolidating domains as well as an escalation mechanism in case an entity in scope believes it needs to deviate thereof.

### Relationship with MFEX subsidiaries

MFEX Board takes a group view in its decision making and issues group policies for coherence of management across the group entities. These group policies on their turn draw on the Euroclear Group policies where applicable as per the "Euroclear group matters Protocol". The Company's subsidiaries that qualify as financial institutions remain, though, subject to the common authorisation, supervision and regulatory framework set forth in the IFD on a solo basis. The management of these entities remains subject to the primacy of local laws, regulations and regulatory expectations.

## 6.2 Board of directors

### 6.2.1 Role and responsibilities

The Board is responsible for the organisation of the Company and the management of the Company's affairs in line with the Swedish Companies Act. More in particular, the Board shall ensure that the Company's organisation is structured in such a manner that accounting, management of funds, and the Company's finances in general are monitored in a satisfactory manner.

The Board should fully know and understand the legal, organisational and operational structure of the investment firm ('know your structure') and ensure that it is in line with its approved business and risk strategy and risk appetite and covered by its risk management framework and also guide the investment firm's structure, its evolution and its limitations and should ensure that the structure is justified and efficient and does not involve undue or inappropriate complexity.

The responsibilities of the Board are defined in detail in the Articles and its own Terms of reference called "Terms of Reference for Board of Directors of MFEX AB".

### 6.2.2 Composition

The Board shall, in accordance with MFEX Articles of Association, consist of 3-7 members. The number of Board members is considered sufficient in relation to the Company's size and needs. The appointment, renewal and resignation of board members, (Deputy)CEO is described in the MFEX Suitability assessment policy.

In order to ensure that the Board be at all times composed of suitable members of sufficiently good repute with an appropriate mix of skills, experience and knowledge of the Company and of the market, MFEX has issued the Suitability assessment Policy on the assessment of suitability of Board,



Management and Key Function Holders. The retained approach to the selection of Board members should ensure a balanced Board with appropriate skills, knowledge and experience both from a collective and individual perspective, taking into account its size, business activities and risk profile.

As part of the Company's diversity goals (described in the suitability assessment and HR policies), the Board composition shall strive to be gender balanced.

### 6.2.3 Chair

The Board strives to appoint a Chair from among its independent non-executive members<sup>5</sup>. The Board may remove him/her from office as Chair at any time.

The responsibilities of the Chair are set out in the Board's Terms of Reference.

### 6.2.4 Operating rules

The operating rules of the Board are defined in detail in its Terms of Reference.

### 6.2.5 Evaluation of the Board

The principles for (individual and collective) evaluation of the Board is further set out in the Suitability assessment policy.

### 6.2.6 Induction and training

Upon being appointed to the Board, all new Directors receive customized induction training as per their needs taking into account their professional background, knowledge and expertise. Such induction training may cover all the major business areas and each of the support functions in order to give Directors a global view of the MFEX group, its strategy and policies and the major challenges it is facing. It also develops the legal and regulatory regime applicable to the Company and the Group.

All Board members have a responsibility to keep themselves updated on industry news and relevant evolutions related to trading, custody and distribution services related to funds in compliance with external law, regulation as well as any other relevant knowledge of routines and processes to safeguard the competence and composition of the MFEX board members.

### 6.2.7 Remuneration

The remuneration package of the Directors is decided by the shareholders' meeting. The Independent Non-Executive Directors are remunerated for their mandate as Board member and such remuneration is not linked to the business performance of MFEX. The quantum of remuneration takes account of the level of responsibility and time required in fulfilment of their Board role.

### 6.2.8 External directorship and managerial functions

All members of the Board are required to commit sufficient time to perform their functions in the Company. There may be restrictions on the nature or number of directorship mandates or managerial functions that Board members can exercise outside the Group as per the Company's Fit and Proper requirements, in particular concerning possible conflicts of interests, under the Suitability Policy. Prior to accepting any external function, the Board member informs the Company Secretary who will ensure proper validation, information and publication process related thereto.

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<sup>5</sup> Currently not yet the case

## 6.3 Board committees

In order to perform its responsibilities more efficiently, the Board has established several advisory committees:

- (Group) Audit Committee (AC)
- (Group) Risk and Compliance Committee (RCC)
- (Group) Nominations, Remuneration and Governance Committee (NRGC).

Those board committees serve both for the company itself and as MFEX group committees. The Risk and the Remuneration Committees are set up pursuant to the applicable IFD rules as transposed into Swedish law. The creation of an Audit Committee and the extension and combination of the Remuneration Committee with a Nomination and Governance Committee is done on a voluntary basis. MFEX strives to adhere to the principles as set out under the EBA guidelines on internal governance for investment firms, taking into account proportionality given the size, volume and nature of its activities. Similarly, the group coverage of all Board Committees (except for the Remuneration Committee which is mandatory in absence of local remuneration committees pursuant to IFD) reflects the will of MFEX to adhere to best practices, notwithstanding the decision of the FSA to remove sub-consolidation at MFEX group level.

See Annex 1 and 2 for the reporting lines between the entity Board Committees and the Group Board Committees.

### 6.3.1 Composition, operating rules and evaluation

Each board committee strives to have at least three members per committee and consists exclusively of non-executive Board members.

The Board has defined the Terms of Reference of each of the board committees, which include details of their role and responsibilities, operating procedures and the reporting requirements back to the Board. Committee's activities, observations and recommendations are reported by the Committee Chair to the Board at each meeting.

The evaluation of the performance of the board committees is undertaken as part of the overall Board assessment process described above.

More information regarding composition, operation and evaluation can be found in the Terms of Reference for the respective board committee.

### 6.3.2 (Group) Audit Committee

The (Group) Audit Committee ("AC") is an advisory committee of the Board established to assist the Board in fulfilling its financial monitoring, internal and external audit responsibilities. Its responsibilities are detailed in its own Terms of Reference.

### 6.3.3 (Group) Risk and Compliance Committee

The (Group) Risk and Compliance Committee ("RCC") is an advisory committee of the Board set up to assist the Board in fulfilling its legal requirements in regard to risk and compliance matters. Its responsibilities are detailed in its own Terms of Reference.

### 6.3.4 (Group) Nominations, Remuneration and Governance Committee

The (Group) Nominations, Remuneration and Governance Committee assists and advises the Board of Directors:

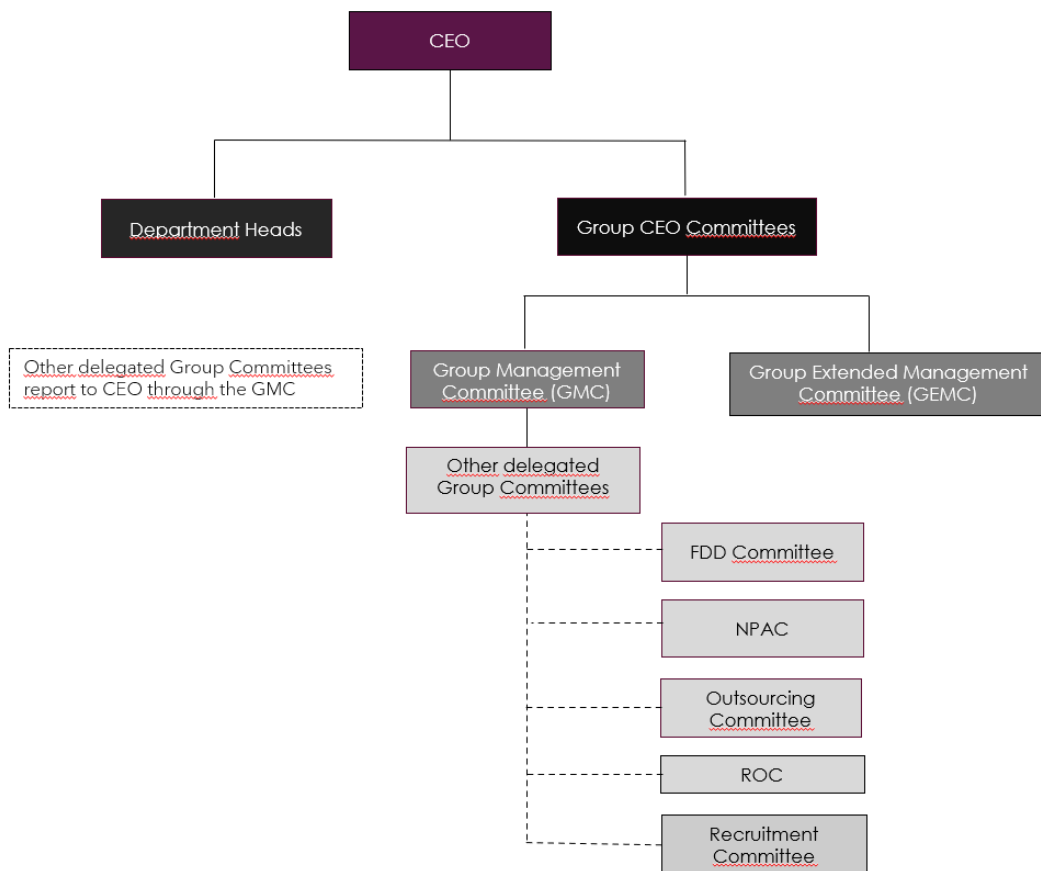
- in all matters in relation to the nomination and suitability assessment of Board and Management, Board and Board Committee composition including diversity, succession planning as well as corporate governance matters as they apply to investment firms.
- In defining and monitoring the implementation of the remuneration policy as further spelled out in its own Terms of Reference.

## 7. Senior Management

The internal governance of the senior management determines the internal governance framework and governance structure of MFEX group with respect to the day-to-day management of MFEX Mutual Funds Exchange AB and the MFEX group.

The internal governance framework at management level is articulated around 3 pillars:

- The (Deputy) CEO function in charge of the day-to-day management of MFEX Mutual Funds Exchange AB and the MFEX group according to the strategy, business plans and policies approved at Board level;
- Group CEO Committees to support the CEO in certain areas with own delegations;
- Department Heads with some individual delegated powers from the CEO to manage their departments in accordance with set objectives, budgets and plans;



## 7.1. The (Group) Chief Executive Officer (CEO)

The (Group) CEO's (and Deputy CEO if applicable) role and responsibilities are, as mentioned earlier, determined according to the Swedish Companies Act and the Articles of Associations and further set out in the "MFEX Mutual Funds Exchange AB (Group) CEO Instructions".

## 7.2. (Group) CEO committees

### 7.2.1 The Group Management Committee

#### 7.2.1.1. Roles and Responsibilities

The Group Management Committee (the "Group MC") has been set up in accordance with the provision of the (Group) CEO instructions which sets out that the (Group) CEO shall organize a management team which shall meet regularly.

The Group MC supports the CEO in carrying out the Company's and Group's day-to-day operations in a coordinated manner and advises the CEO within his/her decision-making powers. The recommendations by the Group MC will be approved by the CEO in his/her capacity as the Company's /Group CEO.

The Group MC shall support and advise the CEO on the following:

- Implementing the strategy, business plan and corporate objectives as approved by the Board and making proposals for update and review as and when needed ;
- Drafting the multi-year and annual budgets, including investments, in accordance with the strategic and business plans, and monitoring the business and financial results against the budget;
- Monitoring Operational and IT performance (including business continuity and security aspects) ;
- Monitoring of the evolution of all risks and assessing the internal control mechanisms, thereby ensuring appropriate action is taken to mitigate risks within the risk appetite set by the Board ;
- Ensuring compliance with all statutory regulatory and legal obligations, including maintaining good relationships with regulators ;
- Establishing policy frameworks (including governance and HR) and overseeing their effective implementation; and
- Any other matter within the mandate of the CEO that is considered appropriate for the Group MC to advise on.

#### 7.2.1.2. Composition

The Group MC comprises of the following permanent members



- (Group) CEO
- (Group) Chief Operations Officer (COO)
- (Group) Chief Financial Officer (CFO)
- (Group) Chief Technology Officer (CTO)
- (Group) Secretary General (Group) Chief Human Resources Officer (CHRO)

The (Group) CEO acts as Chair, and in his absence, the (Group) CFO and Secretary General acting jointly.

Following roles are permanent invitees:

- (Group) Chief Risk Officer<sup>6</sup>
- (Group) Chief Compliance Officer
- Head of Internal Audit
- Global Head of Funds Strategy

Permanent invitees may in the light of properly carrying out their duties table topics on the agenda, request to present them and are entitled to assist to meetings and receive all materials, except for any closed sessions and related confidential documents reserved to the sole Group MC members.

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The Chair may also invite any additional role as appropriate.

Invitees (permanent or punctual) are not involved in any Group MC formal recommendation.

### 7.2.1.3. Operating Rules

The Group MC shall meet regularly, as a principle every week.

Agenda and supporting material (papers for information/discussion/ recommendation) are to be distributed in advance.

Each member, in reporting to the CEO, represents her/his own department and the functions she/he coordinates in the Company's organization, in order to contribute with all her/his expertise, knowledge, ability to explain issues and drivers and with recommending actions. At the same time each member should also consider the interest of MFEX as a whole and participate in a collegial discussion and decision-making process. Conflict of Interest rules are applicable.

Any member can raise an issue to the Group MC as appropriate to ensure that the Group MC fulfils its mandate.

Consensus is strived for.

Minutes of the meetings, as well as a follow-up table of the action plans shall be kept and circulated within one week from the meeting. The full minutes of the Group MC meetings will be confidential; and the Group MC's recommendations/CEO decisions will be summarised and communicated to the staff where appropriate.

The Secretary General or his substitute will support the (Group) MC meetings.

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<sup>6</sup> Specific prerogatives apply as per regulations

## 7.2.2. Group Extended Management Committee

### 7.2.2.1. Roles

The Group Extended Management Committee brings together the members of the Group MC as well as senior executives in key functions across the MFEX group and Euroclear funds business. It is a committee whose principal role is to ensure that material and relevant issues impacting the group/funds business are known and discussed at senior executive level in an effective and timely manner. It informs the way in which the members perform their executive responsibilities.

Matters of relevance take into account the following dimensions: people, business, operations, risk, financial, regulatory and policy developments for all group entities.

The members should present to the Committee all matters and issues that are material and relevant for the group (thus not those that are of relevance only to one subsidiary) or those which, although relevant to one subsidiary only, are of a high importance to the (risk profile of) the group. These form the "material domains" for the Committee.

### 7.2.2.2. Composition

The Group Extended Management Committee comprises:

- The members of the Group MC as defined above
- (Group) Chief Risk Officer
- (Group) Chief Compliance Officer
- Global Head of Funds Strategy
- General Counsel
- Global Head of FMC Services
- Global Head of Funds distribution
- Entities CEO's/Country Heads of Sweden, France, HK/Singapore and Malaysia
- Such MFEX group as well as Funds Division senior executives as determined by the Chair of the Group Management Committee.

The Committee is chaired by the (Group) CEO, or the Group CFO together with the Secretary General in absence of the former. e former.

### 7.2.2.3. Operating Rules

The Committee will meet at least once a month. The Chair has the power to call additional meetings.

The Committee will have a rolling agenda reflecting:

- the domains outlined above; and
- strategic considerations and feedback from group Board meetings.

All Committee members are expected to add items to individual meeting agendas as material and relevant topics occur within their domain of responsibility in the group. Members shall inform the executive secretary of agenda topics with reasonable notice where possible.

The Committee members are expected, save for confidential items, to further disseminate the information to their teams to achieve engagement and alignment across the group.

The Committee shall appoint an executive secretary who will provide administrative support and ensure the Committee operates in line with its mandate.



### 7.2.3. Other Delegated CEO Committees

Further CEO Committees may be established to support and advise the Group MC and the CEO, as considered appropriate from time to time. Their Roles and Responsibilities (including delegation by the CEO), composition as well as operating rules are further set out in the corresponding MFEX Group Policies or "Terms of Reference" of the said committees as duly approved by the (Group) CEO. These committees report to the (Group) CEO through the GMC and take decisions or make recommendations as per their operating rules. As a matter of principle, local entities representatives are entitled to be present or will be invited with respect to topics of relevance to their own entity.

#### 7.2.3.1. MFEX Recruitment Committee (see MFEX Recruitment Policy)

The Recruitment Committee is a delegated Committee of the CEO for the purpose of approving recruitment requests of new employees, consultants and contractors. The outcome of the recruitment committee will be shared by the CHRO to relevant HR managers and hiring managers.

#### 7.2.3.2. MFEX NPAC Committee (see MFEX New Product Approval Committee Terms of Reference)

The NPAC is a delegated Committee of the CEO for the purpose of assessment and decision-making on new products as defined by and in accordance with the NPAP Policy (excluding outsourcing arrangements, for which the competent forum shall be the Outsourcing Committee).

#### 7.2.3.3. MFEX Outsourcing Committee (see MFEX Outsourcing Terms of Reference)

The Outsourcing Committee is a delegated Committee of the CEO for the purpose of assessing, accepting, reviewing and monitoring of outsourcing arrangements as defined by and in accordance with the Outsourcing Policy.

#### 7.2.3.4. MFEX Risk and Operations Committee (see ROC Terms of Reference)

The Risk and Operating Committee has been set up to assist the CEO in risk and control matters. The ROC consistently monitors and follows up the operational activity and the risks exposure, in particular through operational incidents and audit findings. It has been delegated power to recommend/accept risk up to medium with respect to action plans. For all other matters, it reports to the CEO and makes recommendations as appropriate.

#### 7.2.3.5. Fund Deal Desk (see Fund Deal Desk Terms of Reference)

The Fund Deal Desk ("FDD") has been delegated authority within certain limits by the Euroclear Bank ("EB"), MFEX Mutual Funds Exchange ("MFEX") (and any other involved Euroclear Group entity) respective Management Committees ("MC") to decide or recommend terms and conditions of client relationships of the Funds Division.

FDD will take a holistic view when approving new terms and conditions taking account of financial aspects including profitability, feasibility from operational and technical perspective, as well as risk and compliance matters.

## 7.3. Department heads

### 7.3.1. Roles and responsibilities

The Heads of Department are responsible for the delivery of the department function and operations. More in particular, the Heads of Department:

- prepare the departmental budget;
- manage their departments and staff in accordance with annual objectives, budgets and plans;
- implement the HR policies within the local departments to ensure the recruitment, training, retention and motivation of staff;
- coordinate transversal matters with the other department heads;

The MFEX Heads of Department have been delegated by the (Group) CEO, in the context of the daily management of their own department, decision making power, including with respect to purchases of goods and supplier services up to 50.000 EUR. When outside current plans/budget or above this threshold, prior approval should be obtained from the CEO or designated delegated committee.

All supplier contracts should be reviewed by Legal. All individual contractors and consultant contracts have to be reviewed by both HR and Legal.

The MFEX Heads of Departments are:

- Group Chief Financial Officer
- Group Chief Operations Officer
- (Group) Chief Technology Officer
- Group Secretary General
- Group Chief Risk Officer
- Group Chief Compliance Officer
- Group General Counsel
- Group Chief HR Officer

### 7.3.2. Signatory powers

Further specific management and representation (i.e. committing the company towards third parties) powers may be subdelegated in specific areas within the remit of the designated individuals.

Specific signatory rules apply depending upon the type of commitment: Financial transactions, Human Resources transactions, Contracts and binding agreements and Operational transactions. Those rules are based on proportionality, empowerment, availability, materiality & risk-based approach, clear identification and prohibition of conflict of interest.

The signatory rules are further spelled out in the MFEX AB signatories list (Operations, Financial, HR, contracts,), internal finance system approval lists (Oracle/Connexis) as well as banking accounts lists that are updated from time to time and approved by the (Group) CEO. The list of signatories may include designated staff from the parent company Euroclear SA/NV based on the cross-entity support model. These documents do not cover the official registered company signatories (Bolagsverket) which are separately decided by the Board.

## 8. Key Function Holders

Key function holders mean persons who have significant influence over the direction of the institution, but who are neither members of the management body nor the CEO. They include the heads of internal control functions and the CFO, where they are not members of the management body, and, where identified on a risk-based approach by relevant institutions, other key function holders. Other key function holders might include heads of significant business lines and other internal functions.

The following positions are considered to be key function holder within the Company:

- a) Group Chief Risk officer
- b) Chief Risk Officer (if role attributed)
- c) Group Chief Compliance Officer
- d) Chief Compliance Officer
- e) Head of the internal audit function (if not outsourced)
- f) Group Chief Financial Officer (CFO)
- g) Head of regulated branches (currently Spanish branch)

Further description of their roles and responsibilities can be found in the respective policies, including charters, relating to their department or function.

The suitability of the key function holders will be based on the Group Suitability assessment policy.

## 9. Internal control framework

This section of the Policy describes MFEX's risk and internal control framework. Internal governance and control are of paramount importance for MFEX in order to achieve its stipulated business objectives and preserve customers, authorities and others' trust and confidence in the Company.

The internal control framework should support the following:

- An appropriate and effective organization and management of the business,
- Sufficient resources and competence
- A reliable financial reporting,
- An effective operation and management of the information system, including documentation and safekeeping,
- A good and effective capability to identify, assess, manage, report and control risks within the business,
- A good and effective capability to comply with laws, regulation, market practice and internal rules,
- sound business practices whereby all staff feel responsibility for achievement of MFEX's business objectives.

### 9.1 Organization and responsibility for internal control

#### 9.1.1 The risk and internal control framework

The Board has put in place a risk governance framework in which roles and responsibilities for managing risk are clearly defined. The Board oversees Senior Management implementation of risk appetite through a set of diverse, approved limits that are based on risk reward analysis and are related to the strategic objectives. Senior Management and Risk Control report to the Board on the group's current risk position by reference to a suite of financial and non-financial risk appetite measures, allowing the Board to determine what actions are needed to maintain the group's risk profile at the desired level.

The risk strategy and frameworks guide the Board in its responsibility to devote the appropriate time and attention to risk issues, and oversee the implementation of the Group corporate strategy, in a way



that preserves MFEX's reputation through risk awareness and the exercise of behaviours and values that foster a robust culture. ESG forms integral part of the risk framework.

### 9.1.2 Combating money laundering and terrorist financing framework

Combating money laundering and terrorist financing is essential for maintaining the stability and integrity of the financial system. Uncovering the involvement of an investment firm in money laundering and terrorist financing might have an impact on its viability and on trust in the financial system. In this context, the guidelines clarify that identifying, managing and mitigating money laundering and financing of terrorism risks is part of sound internal governance arrangements and investment firms' risk management framework. The Company have therefore implemented appropriate processes and procedures to ensure that MFEX comply with their obligations in the context of combating money laundering and terrorist financing.

Employees and more particularly those in charge of the business relationship are the essential actors of the internal AML/CFT system, whose effectiveness is based on compliance with due diligence obligations from the moment of entry into a relationship with the client as well as throughout the relationship with the client. Their role, like those of other MFEX employees is essential in raising doubts or alerts relating to the fight against money laundering and the financing of terrorism. The business manager is the privileged contact of the prospect or Customer, he is responsible for the business relationship.

The Global AML Manager is responsible for the implementation of the internal AML/CFT rules within the MFEX group and is responsible for the AML operational team which carries out all due diligence relating to customer knowledge ("KYC") and monitors the business relationship. Its main mission is to implement the AML/CFT system and ensure that measures are in place in the first line of defence to mitigate AML/CFT risks.

## 9.2 Three lines of defence

In line with best market practice, the three lines of defence model within MFEX facilitates effective operations. Each line plays a distinct role providing senior management and the Board with confidence that MFEX is likely to achieve its key goals through the effective management of risks. In order to establish an effective internal governance and control MFEX shall secure that the business subject to authorization is conducted in accordance with to the so called "three lines of defense" principle.

The following principles apply in respect of each of the Control Functions:

- The staff of the control function does not perform any operational tasks for, and are organizationally separate from, the activities they monitor and control;
- None of the control functions may be combined with any other;
- Compliance and Risk Control functions are subject to separate independent review by Internal Audit;
- Remuneration of staff within each of the control functions, including the relevant Head of the control Function, is not linked to the performance of the activities the function oversees;
- These functions have the necessary authority, resources expertise and access to all relevant information to perform their mission.

### 9.2.1 First line of defense - the responsibilities of Employees

The first line of defence consists of the employees at MFEX. It therefore consists of the business area that performs the daily operations. The first line of defence shall ensure that the Company's business is conducted in accordance with applicable internal and external regulations, actively mitigate risks and always act in a way that secures the clients' best interest. All employees shall strive to improve the

internal control by reporting to the compliance function when internal regulation is missing, is inaccurate or if it seems like external or internal regulation is not complied with. The same applies if operational risks are identified in the daily business, in these cases reporting shall be conducted to the Risk Function.

Line management ensures that the right risk culture is embedded in the different business units. It owns the risks linked to the activities it undertakes to reach its business objectives. The business lines must identify, measure, control and manage these risks, and define and operate a control system to ensure MFEX reaches its business objectives within its risk appetite. Line management is the primary source of assurance on the adequacy and effectiveness of the control environment to Senior Management and the Board.

### 9.2.2 Second line of defence - the responsibilities of Risk Management Function and Compliance Function

The second line of defence consist of Risk Management Function and Compliance Function. The work conducted in the second line of defence is characterized by controlling and advisory operations regarding risk -and compliance issues. To ensure their independence the (Head of) Risk and Compliance Functions report to the CEO while having direct access to the Board as well.

Second line of defence functions provide regular trainings across the organisation to increase awareness of risks. These control functions are designed to comply with the highest standards in ensuring a robust and transparent management and control environment. The internal controls are fully integrated, covering the whole organisation to ensure:

- prudent conduct of business;
- the right balance between risks, service quality and costs for financial market infrastructures;
- the protection of MFEX and client assets;
- the quality and integrity of the financial information;
- \*timely compliance with regulatory requirements across all the entities of the group.

#### 9.2.2.1 Risk Management Function

The Risk Management Function shall be an independent control function separated from the operational business. The Risk Management Function shall support the Board, CEO and operational business in their work on maintaining an effective Risk Management system.

The Risk Management Function provides robust, independent oversight of 1st line's risk-taking activities. Risk Management's mission is to provide robust independent oversight of risk-taking activities across the MFEX group, to help it achieve its goals and deliver its strategy.

More information regarding the organisation, function and reporting of Risk Management Function is provided in the Policy on the Risk Control Function.

#### 9.2.2.2 Compliance Function

The Compliance Function shall be an independent control function separated from the operational business. As an independent control Second Line function, Compliance Function is accountable to support, provide advice, challenge and oversee 1st Line of Defence in its management of Conduct & Culture Risk, Compliance Risk and Fraud Risk (Fraud risk will be done in collaboration with the Risk Function).

Compliance monitors, tests and reports to management on controls relating to laws and regulations falling within its remit and advises on remedial actions. The Compliance Function shall identify risks in the Company's business which can lead to a situation where MFEX does not fulfil its obligations according to laws, regulation and other rules applicable to the licensed business activities. The Compliance Function shall furthermore conduct controls of the business and inform and train the employees on the rules and regulations that apply to the licensed business.



More information regarding the organisation, function and reporting of Compliance Function is provided in the Group Compliance Charter.

### 9.2.2.3 Group oversight for the Compliance Functions

With the objective of ensuring oversight by MFEX AB of the risks existing at local level, the governance principles with respect to the internal control function are further described in the respective group internal control Policies issued by MFEX group, always respecting the independence of the local internal control function and final decision authority of the local Board.

Compliance Function supports and challenges the business in its management of Compliance Risks, this includes:

- Monitoring each MFEX entities compliance with the applicable legal and regulatory requirements;
- Proactively identifying, assessing and monitoring Compliance Risks faced by the MFEX group;
- Designing, implementing and overseeing the Compliance Risk Management Framework which comprises the set of processes and tools which shall be used by the Business, Senior Management and Compliance;
- Providing objective and independent advice, guidance and challenge on the first line's identification, assessment and management of Compliance Risks;
- Assisting Senior Management in educating and enhancing the awareness of staff members on compliance matters and promoting a culture of compliance throughout the Company;
- Providing assurance to Senior Management, Boards and regulators on the effective management of Compliance Risks.

The MFEX Compliance organisation is composed of:

- Group Chief Compliance Officer whose mission is to oversee how compliance risks are being managed across the group.
- Entity Chief Compliance Officers who are overall accountable and operationally responsible for the Compliance Function of their entity.

More information regarding the organisation, function and reporting of Compliance Function is provided in the Group Compliance Charter.

MFEX has also appointed Group and MFEX AMLCO Officers as well as an MFEX AB Single Officer (combined with Compliance Officer role) with their respective role and responsibilities set out in their mission statement.

### 9.2.3 Third line of defence - the responsibilities of the Internal Audit function:

The third line of defence consist of MFEX's Internal Audit Function, which is directly subordinated to the Board. The Internal Audit Function shall regularly control the work performed in the first- and second line of defence and review the Board and MFEX's internal controls.

Internal Audit provides reasonable assurance on the adequacy and effectiveness of MFEX' s governance, risk management and internal controls. Internal Audit's scope is unrestricted, so that Internal Audit can operate at the highest level of independence and objectivity within the organisation, in order to support the Board and Senior Management in reaching their objectives.

#### 9.2.3.1 Internal Audit Function

The mission of the Internal Audit function is to provide the Board and senior management with reasonable assurance and insight, in an independent and objective way, on governance, risk management and internal control to add value to and support MFEX in achieving its objectives.



The internal audit function is outsourced to ESA. More information regarding the organisation, function and reporting of internal Audit Function can be found in the Internal Audit Charter and service level agreements.

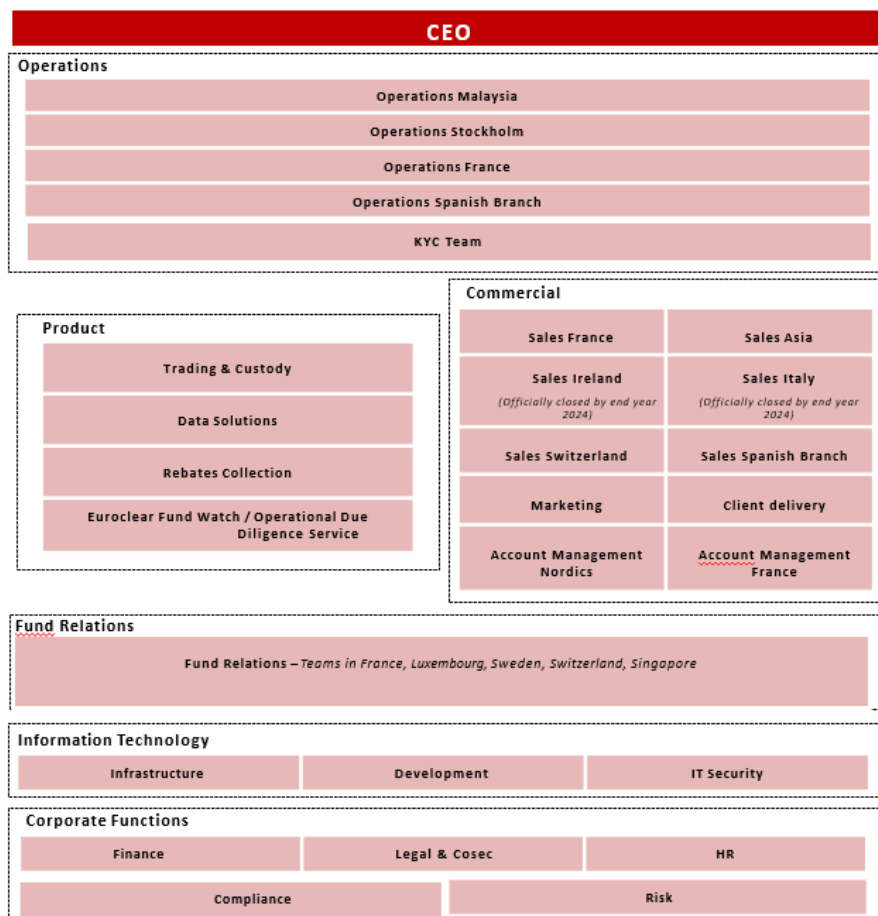
## 10. Description of the risk strategy and Risk management framework

MFEX defined a risk strategy covering its approach to risk management and its risk appetite. The risk strategy must be consistent with the business objectives and values established by the CEO and the Board. When taking into account all risks, MFEX should take into account all relevant risk factors, including environmental, social and governance risks factors and consider that the latter may drive the Company's prudential risks. Such ESG risk factors include, e.g. legal risks in the area of contractual or labor law, risks relating to potential human rights violations or other ESG risk factors that may affect the country where a service provider is located and its ability to provide the agreed service levels.

The risk strategy for MFEX is developed in:

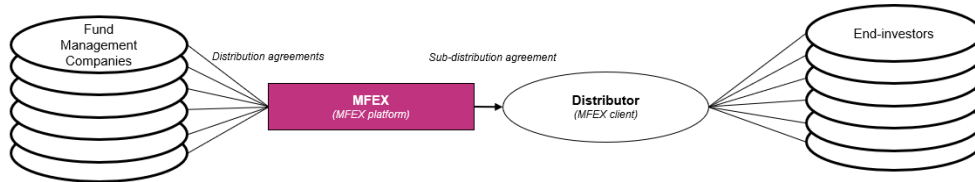
- The Risk Management Policy, which describes the risk management framework of MFEX; states risk definitions relevant for MFEX and minimum risk management requirements.
- The Policy on Risk Appetite and Risk Limit, which describes the level of risk that MFEX is willing to sustain in the pursuit of its corporate strategic objectives.

## 11. Organisational structure



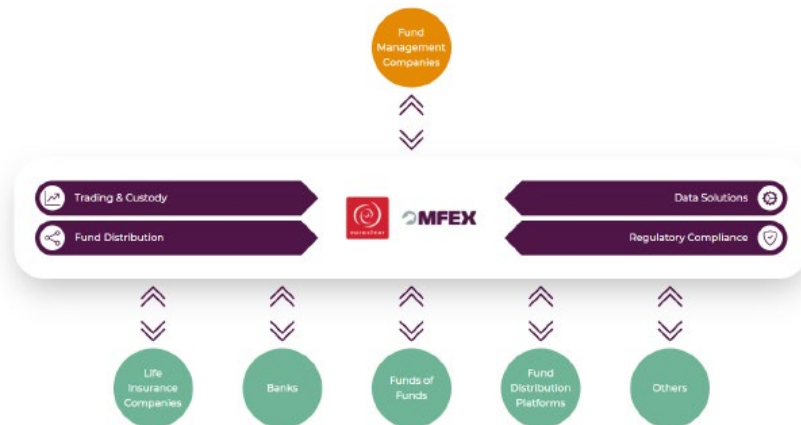
## 11.1 MFEX operating model

MFEX operate a fund distribution platform whereby they interpose themselves between (EU and non-EU) fund management companies (“FMCs”) and financial institutions that distribute funds (“Distributors”). The (simplified) operating model of MFEX can be depicted as follows:



## 11.2 Range of products and services

MFEX offers a wide range of solutions for fund trading and custody, fund distribution services, including ESG, compliance & due diligence as well as data services.



## 11.3 Geographical scope of business

MFEX has operations in 8 countries. See chapter 5.2.

## 11.4 Outsourcing

MFEX arrangements regarding Outsourcing can be found in the Group Outsourcing policy.

# 12. Code of Conduct and Behaviour

## 12.1 Strategic objectives and company values

MFEX has implemented a comprehensive framework of policies and procedures. This framework, which is part of the system put in place by the group, specifies in particular the standards of professional conduct expected of all MFEX employees.





## 12.2 Internal codes and regulations, including anti money laundering and counter terrorism financing policies

Internal codes and regulation are described in particular in the Euroclear Group Code of Conduct and into the MFEX employee guidelines.

These principles are regularly reminded to employees during training and all new employees of MFEX undergo a training course which they are presented in particular with all the rules and procedures applicable to MFEX (market abuse, conflicts of interest, fighting against money laundering and terrorist financing, conflicts of interest, employee ethics, alert system, etc.).

## 12.3 Conflicts of Interest Policy

MFEX have adopted comprehensive policies that MFEX Board members, management and staff must follow in order to identify, notify, assess, properly manage and control potential and actual Conflicts of Interest ("Col").

Col Policy Documents require all board, management and staff not only to consider and disclose the conflicts of interest they may have both personally (including via persons directly or indirectly linked to them) and qualitate qua (i.e. when they act upon a mandate) but also to take reasonable steps to avoid engagement in activities which could create a perception of impropriety or jeopardise MFEX integrity or reputation.

More about Conflict of interest can be found in the Group Conflict of interest Policy.

## 12.4 Speak up Policy

MFEX encourages everyone, regardless of their role in the organization, to report known or suspected violations if they are genuinely and in good faith believe that a suspected or known violation of laws, regulations or internal policy is occurring or has occurred within any MFEX entity.

More information about whistleblowing can be found in the Group Speak up Policy.

# 13. Internal regulation

MFEX's business is ultimately governed by rules, regulations and recommendations from supervisory authorities and the legislator. However, a not insignificant part of the business is also governed by the internal regulations adopted by MFEX internally. The internal regulation shall be characterized by a consistent and clear structure and shall be set in Group Policies and Procedures. A closer description of MFEX's governing documents can be found in the Group Policy for governing documents.

## 13.1 Policy framework

The Board shall establish governing documents regarding various issues in order to secure a high level of internal governance and control. These governing documents shall stipulate how the Company shall conduct its business in order to be compliant in each specific area. The governing documents shall reflect MFEX's internal regulation.

The Group has in place a comprehensive policy framework as set out in the MFEX Group Policy for governing of documents which covers all Compliance, Risk Management, Legal, Finance, Operations, AML/CTF, GDPR, IT and HR policies. The policy framework formalises the standards of professional conduct expected of all individuals working at MFEX.



Policies consist of internal rules which set general standards for the way MFEX shall run its business. Group Policies are adopted by the Board of MFEX AB and it is the responsibility of the entity Boards to ensure that Group Policies are approved or transposed insofar applicable, and implemented. Group Policies aim to ensure that the Company comply with applicable rules and regulations. The

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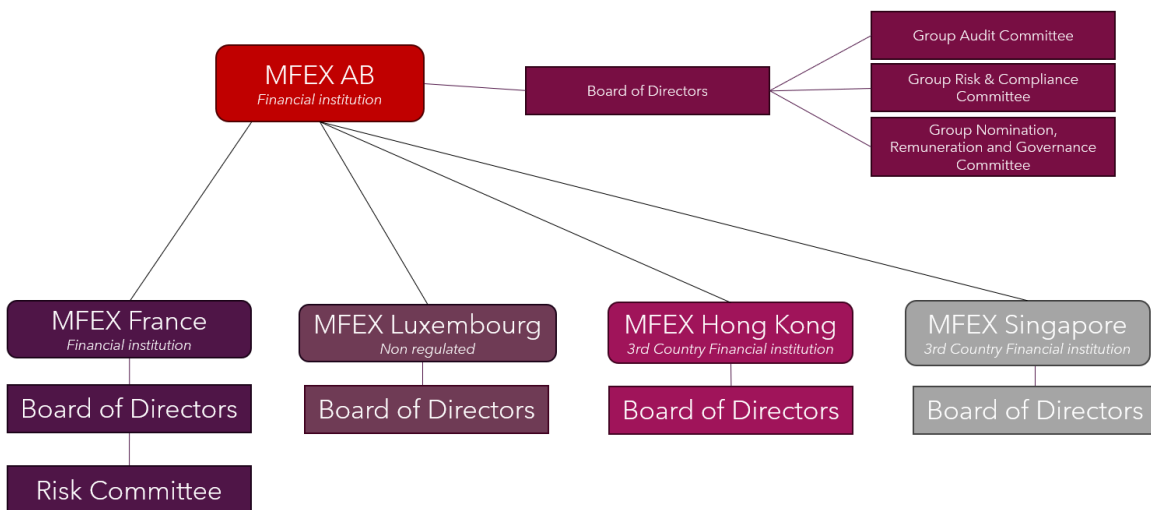
## 14. Reporting

A fundamental condition for a good internal governance and control is that clear and well-functioning reporting channels are established. By providing the Board, CEO and other relevant departments with reliable, relevant and accurate reporting material the possibility to make a sensible decision will increase. Reporting is important in order to achieve an effective governance system and to quickly be able to take corrective measures when risks are identified and reported. More about the reporting lines can be found in annex 1 and 2 below and other applicable policies.

### Annex 1- Group overview of Board and Board committees



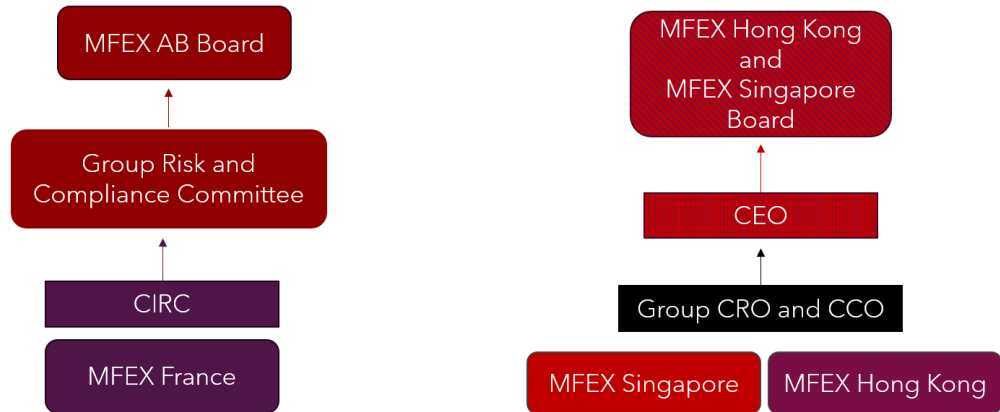
## MFEX Group overview of Board and Committees



## Annex 2 - Reporting lines of risk and compliance committees



### MFEX Group Reporting lines for Risk and Compliance Committee (RCC)



## 15. Creating awareness on this Policy

MFEX staff shall receive training, acknowledge the reading of this Policy and act in accordance with this policy. This Policy shall be made available on a shared common storage of the Company.

Corporate Secretariat is responsible for creating awareness around this Policy.

Finally, Corporate Secretariat is available for any questions or concerns.

## 16. Violations of MFEX's policy

Violations of MFEX's Policy Documents, Code of Ethics & Business Conduct, laws, regulations or market practices may lead to legal proceedings or criminal sanctions in line with domestic legislation, as well as administrative or disciplinary action.

For further information about reporting violations, please refer to the MFEX Group Speak Up Policy available on Team's folder "Policies".