



# **Second Foundation**

**KYC Directive**

## Policy details

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| Name:   | KYC Directive  |
| Companies involved in the group ESG assessment: | Companies within the Second Foundation Group (the “SFG”) as described below in the definitions |
| Group ICMS policy no.                           |  |
| Last revision:                                  | KYC-24-v2  |
| Created by:                                     | Gabriel Klimenta, Head of Compliance   |
| Approved by:                                    | Board of Directors   |
| Confidentiality level:                          | Internal   |

## 1. DEFINITIONS

For the purposes of this Directive the below-mentioned terms are defined as follows:

**“Business Partner”** = current and prospective non-retail client and customer, supplier, service provider, distributor, business contact, agent, advisor and/or governmental or public body;

**“SFG”** = Second Foundation Group formed by Second Foundation Holding a.s., a company incorporated under the Czech law, ID No. 14160617, with its registered office at Na Florenci 2139/2, Nové Město, 110 00 Praha 1 and Second Foundation Holding a.s., a company incorporated under the Czech law, ID No. 08561443, with its registered office at Na Florenci 2139/2, Nové Město, 110 00 Praha 1 and the subsidiary companies of these companies;

**“SFG Company”** = any company which forms part of SFG;

**“KYC”** = Know your customer;

**“KYC Questionnaire”** = KYC Questionnaire attached hereto as Exhibit No. 1 as a template to be adapted for the particular business transaction or relationship;

**“Risk Department”** = a department or an individual (Risk Officer) of SFG Company that ensures the identification, evaluation, and prioritization of risks to which the SFG Company is exposed and coordinates the application of SFG Company resources to minimize, monitor, and control the probability or impact of unfortunate events or to maximize the realization of opportunities; in case the SFG Company does not have a Risk Department or Officer, the risk management function pertains to its statutory body;

**“Compliance Department”** = a department or an individual (Compliance Officer) of SFG Company that ensures that SFG Company adheres to relevant laws and regulations and has in place internal procedures and controls to identify and manage regulatory risk; in case the SFG Company does not have a Compliance Department or Officer, the compliance function pertains to its statutory body or Compliance Department of the SFG; and

**“Material Transaction”** = any business transaction defined as material in accordance with the purpose of the KYC Directive; SFG Company adopts definition of Material Transaction in its internal processes and rules of operations taking into account its profile and character of its activities and business relationships; in the absence of a Material Transaction definition, any business transaction entered into by SFG Company in excess of 5 000 000 CZK (approx. EUR 200,000 or its equivalent in the local currency).

## 2. PURPOSE OF THE KYC DIRECTIVE

It is essential to identify, analyze and understand exactly with whom SFG intends to enter into or maintains a business relationship. KYC means a process that seeks to verify and validate the Business Partner's identity and suitability in order to support SFG's actionable decisions to mitigate against financial, regulatory and reputational risk and ensure regulatory compliance.

The KYC procedure outlined in the KYC Directive is implemented by all SFG Companies into their internal processes and rules of operations.

The discovery of the information about our Business Partners should serve to deter particularly:

- money laundering
- contracting entities targeted by sanctions
- terrorism financing
- bribery and corruption
- financial crime.

## 3. KYC PROCEDURE

### 3.1 KYC basic principle

Whilst there is no legal requirement to put in place formal procedures for evidencing the identity of SFG Business Partners, in forming new business relationship or considering undertaking a significant one-off transaction, it is expected and prudent for management of SFG Companies to satisfy themselves as to the identity of the parties with whom they are transacting. Exception is the verification whether the business partner is subject to any applicable sanctions or specific anti-money laundering obligations (see Article 3.6 of this directive).

Therefore, before entering into a business relationship, SFG Company carefully checks its prospective Business Partners in accordance with this KYC Directive.

Should the KYC procedure reveal any concerns or irregularities as regards the Business Partner's identity and suitability, SFG Company adopts adequate mitigating measures outlined in the KYC Directive, including a decision not to enter into the business relationship or undertake the business transaction.

### 3.2 KYC responsibilities

The responsibility for performance of the KYC procedure according to the KYC Directive and for adoption of a decision on authorization of the Business Partner under Article 3.7 below is shared among the Risk Department and the Compliance Department of SFG Company that considers entering into contract with a prospective Business Partner. Other departments or bodies of SFG Company might be included in the authorization process based on the SFG Company's internal processes and rules of operations or decision of the Compliance or Risk Department.

Division of powers and responsibilities among SFG Company's departments and bodies is set in its internal processes and rules of operations in line with four eyes principle, if not regulated otherwise – it is the responsibility of the Compliance Department and the department which suggested the incorporation of the new Business Partner for KYC procedure.

In the absence of such division of powers and responsibilities, the Compliance Department performs the KYC procedure according to the KYC Directive and submits the outcome of the KYC procedure together with its recommendation to the Risk Department which is responsible for making a decision on authorization of the Business Partner under Article 3.7 below. In case SFG Company does not have a Compliance Department or Officer, the responsibility for performance of the KYC procedure according to the KYC Directive as well as for a decision on authorization of the Business Partner under Article 3.7 below lies with its statutory body or the Compliance Department of SFG.

### 3.3 Information, data and documentation for the purpose of KYC

As part of onboarding process of a Business Partner and risk assessment in accordance with the KYC Directive, SFG Company performs at least one of the following:

- collects information and data from public and reliable sources (including potential online tools operated by a third party for the purpose of provision of access to multiple sources of compliance data),
- requests a prospective Business Partner to complete a KYC Questionnaire and to provide necessary documentation.

A prospective Business Partner with whom SFG Company considers entering into a Material Transaction is always requested to complete a KYC Questionnaire forming **Appendix 1** hereto and to provide necessary documentation and the guidance in **Appendix 2** should be used to obtain the necessary background documents from the public sources.

### 3.4 Evaluation and verification of information and data by SFG Company

In case of collection of information and data according to Article 3.3 (i) and 3.3 (ii), SFG Company verifies information and data collected directly against those obtained

through KYC Questionnaire, provided documentation and other data and information sources regarding the prospective Business Partner.

SFG Company requires explanation and justification from the Business Partner if

- the information, data or documentation collected under Article 3.3 above raise any concerns as to the identity or suitability of the Business Partner in terms of the KYC Directive, or
- the verification of the completed KYC Questionnaire and documentation provided by the Business Partner against information and data collected directly by SFG Company raises concerns over their validity or entirety.

### **3.5 Consequences of the KYC check**

In case the Business Partner does not sufficiently explain the discrepancies or does not appropriately rebut the above-mentioned concerns according to Article 3.4, SFG Company decides to adopt adequate measures, including collecting additional information and data or refusing to issue authorization under Article 3.7 below.

### **3.6 Sanctions, money laundering, terrorist financing and tax governance fraud check**

SFG Company checks whether the Business Partner is subject to sanctions and assesses whether entering into a business relationship with the Business Partner may constitute a risk of non-compliance in the areas of money laundering, terrorist financing or tax governance fraud.

In case of any irregularities in this respect, SFG Company decides to adopt adequate measures, including refusing to issue authorization under Article 3.7 below or notifying the authorities.

The current list of available sanction review sources forms **Appendix 2** hereto, it is imperative that the responsible person conducting the KYC procedure for the relevant SFG Company always check the entirety and applicability of the list and potentially add new sources updated to the available legal regulations.

### **3.7 Authorization of the Business Partner**

Once the KYC procedure according to the KYC Directive is duly performed, SFG Company approves an authorization that the Business Partner may be accepted.

Such authorization may only be approved if:

- there were no concerns over the collected or provided information, data and documentation or such concerns were dealt with under Articles 3.4 and 3.5 above; and
- the Business Partner passed the sanction check under Article 3.6 above.

### **3.8 PEPs - Politically exposed person (PEP) relationships**

As part of the KYC procedure, also Politically exposed person (PEP) relationships must be identified in advance and reviewed in terms of compliance and potential reputation impacts for the SFG.

## **4. EXCEPTIONS TO THE STANDARD KYC PROCEDURE**

### **4.1 Low-value transactions**

Prior to entering into a business transaction (or sum of transactions with the Business Partner per year) below EUR 10,000 or its equivalent in the local currency, SFG Company performs a check on whether the Business Partner is subject to sanctions according to Article 3.6 hereto. Authorization of the Business Partner may be issued solely on the basis of such check. However, in case of any unusual attribute of the transaction, such as offered pricing significantly below assumed fair value, a standard KYC procedure is followed.

### **4.2 Simplified KYC Procedure**

A simplified KYC procedure may be carried out for Business Partners commonly considered as trustworthy, such as universities, countries, governmental and public bodies, local authorities and renowned financial institutions, legal advisors, auditors and consultants.

Prior to entering into the business transaction, SFG Company collects information and data under Article 3.3 above in order to identify the Business Partner's identity and suitability in terms of the KYC Directive and performs a check on whether the Business Partner is subject to sanctions. Authorization of the Business Partner may be issued solely on the basis of information obtained in accordance with Article 3.3 (i) or Article 3.3 (ii). However, should the simplified KYC procedure raise any concerns, a standard KYC procedure is followed.

### **4.3 Extraordinary circumstances**

In case of extraordinary time constraints, simplified KYC procedure may be carried out prior to entering into the business transaction even in case of a Material Transaction, where SFG Company collects information and data under Article 3.3 (i) above in order to identify the Business Partner's identity and suitability in terms of the KYC Directive and performs a check on whether the Business Partner is subject to sanctions. Should the simplified KYC procedure raise any concerns, a standard KYC procedure is followed prior to entering into the business transaction.

As soon as practicable after entering into the business relationship with the respective Business Partner, a standard KYC procedure is duly performed, and authorization of the Business Partner under Article 3.7 issued. In case of irregularities or concerns revealed subsequently by the standard KYC procedure which could not be sufficiently

dealt with under Articles 3.4 and 3.5, SFG Company terminates the business relationship or transaction with undue delay or, if such termination is impossible, decides to adopt appropriate measures to mitigate the consequences.

#### **4.4 End clients and customers**

SFG Company may decide in its internal processes and rules of operations that a KYC procedure is not in principle carried out with regard to its end clients and customers to whom it supplies goods or provides services, unless it would be in contradiction with the purpose of the KYC Directive due to their significance, country of residence or other factor.

### **5. UPDATE AND IMPLEMENTATION**

#### **5.1 Update of information/documentation**

SFG Company determines the frequency of update as concerns any changes to the information and/or documentation provided by the Business Partner during the initial KYC procedure (including identity of the ultimate beneficial owners, identity of the Business Partner, business activities of the Business Partner and countries and markets in which the Business Partner operates) in its internal processes and rules of operations, however, no update shall be made less than once per calendar year. Also the sanction lists must be observed regularly with attention to the existing Business Partners.

#### **5.2 Implementation**

In order to support SFG Company's decisions to mitigate against financial, regulatory and reputational risk and ensure regulatory compliance in accordance with the KYC Directive, SFG Company is responsible for implementation of measures and processes concerning Business Partner's identification and suitability that are necessary and appropriate with regard to the respective SFG Company's profile and character of its activities and business relationships. Such implementation includes also adoption of a definition of Material Transaction for the purpose of the KYC Directive and an appropriate adaptation of the KYC Questionnaire attached hereto as Appendix 1.

SFG Company ensures that while implementing the KYC Directive (including the KYC Questionnaire) in its internal processes and rules of operations it is at least as prudent as the market standard for respective business transactions and relationships.

## **Appendix 1 – KYC Form**



## Appendix 2A – Sanctions Check

The SFG sanctions check consists currently of reviewing these sanction lists and sources. All the sources must be always checked for additional updates and links checked for functionality. If any of the sources moves, additional sources must be updated in the list:

1. EU consolidated list of persons, groups and entities subject to EU financial sanctions: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en> – this must always include the review in the EU sanctions map: <https://sanctionsmap.eu/#/main>
2. US Sanctions - <https://sanctionssearch.ofac.treas.gov/>
3. UN sanctions list - <https://main.un.org/securitycouncil/en/content/un-sc-consolidated-list>
4. UK sanction list – <https://sanctionssearchapp.ofsi.hmtreasury.gov.uk/>
5. In case of specific countries that are not in the scope of the due course of SFG transactions, also research on the WTO trade disputes and sanctions: [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm)
6. additional sources related to the country of the incorporation of the Business Partner (if this is necessary due to the inconsistencies or concerns raised during the KYC procedure).

In case of a positive finding, all the relevant documents must be downloaded and stored in the KYC folder.

## Appendix 2B – KYC documents check

This is a standardized checklist, it is only starting point, it must be verified and supplemented according to the relevant individual KYC procedure, legislation and sources available at the country of the incorporation of the relevant Business Partner, the following sources should be required in every jurisdiction unless Compliance Department grants an exception for any source. Information from the sources should be cross checked on public web search engines and other publicly available tools or commercial tools that SFG in the future implements:

### 5.3 Corporate identity check

1. Review of the status of Business Partner LEI code: [GLEIF database](#) – while it is not obligatory to have renewed LEI code, it is a sign that the Business Partners maintain an active international status active.
2. Collect official documents from the official register of companies (e.g., articles of incorporation, certificates of good standing) – the Business Partner is the primary source and it should be cross checked as available from the public sources/third parties. Also identify and verify all company directors and major shareholders. The good starting point is: [https://e-justice.europa.eu/489/EN/business\\_registers\\_search\\_for\\_a\\_company\\_in\\_the\\_eu?clang=en](https://e-justice.europa.eu/489/EN/business_registers_search_for_a_company_in_the_eu?clang=en) where information about the public register can be found.
3. Validate the company's registration in official business registries – i.e. the person conducting KYC procedure must personally search the company name in the relevant register and save the PDF result.
4. Ensure the company is authorized to operate in the jurisdiction (e.g. excerpt from the business trades registry of the relevant jurisdiction).

### 5.4 Ultimate Beneficial Ownership (UBO) Check:

5. Verify the identities of **Ultimate Beneficial Owners (UBOs)** who hold more than 25% of the shares or voting rights plus additional markers if regulated otherwise under the relevant jurisdiction of incorporation of the relevant Business Partner.
6. Understand the control structure of the company (directors, shareholders, UBOs). Check whether the statutory bodies act jointly or separately.
7. Check UBO Registries (EU countries have mandatory UBO registries).

### 5.5 Business Activity and Risk Assessment

8. Assess the legitimacy of the company's business activities from the perspective of the law to which the relevant SFG Company is subject.
9. Conduct due diligence on the industry, sector risks, and geographical risk (related to the country of incorporation or operation) – e.g. in International Chamber of

Commerce (ICC) reports on sector-specific risks/ Transparency International corruption indices for country risk assessment.

## **5.6 Financial Due Diligence**

10. Obtain and review the company's financial statements, tax records, and audit reports – if possible from public sources, then cross check with the documents provided by the Business Partner.