

**Policy for selection, suitability assessment, promotion of diversity,  
introduction and training of the members of the governing bodies  
and the persons holding key positions in the investment intermediary  
BenchMark Finance AD**

## **I. Scope of application and definitions**

### **1. General**

1.1 The policy for selection, assessment of suitability, promotion of diversity, introduction in the work and training of the members of the governing bodies and the persons occupying key positions in investment intermediary BenchMark Finance AD (the Policy) has been prepared in accordance with Art. 62 and Art. 68 of the Markets in Financial Instruments Act (MFIA), Art. 14, para. 2, Art. 20, para. 1, art. 22 and Art. 26, para. 1 of Ordinance № 38 on the requirements for the activity of investment intermediaries and Article 91 (12) of Directive 2013/36/EU 3 and the second subparagraph of Article 9 (1) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) № 648/2012 and is part of the internal documents of BenchMark Finance.

1.2 This Policy for selection, assessment of suitability, promotion of diversity, introduction and training of the members of the management bodies and the persons holding key positions in investment intermediary BenchMark Finance AD is in compliance with the Guidelines for assessment of the suitability of the members of the management body and persons holding key positions, published by ESMA and EBO on 21.03.2018 and Ordinance № 38 on the requirements for the activity of investment intermediaries, prom. SG, no. 51 of 05.06.2020 (Ordinance № 38)

1.3 The policy for selection, assessment of suitability, promotion of diversity, introduction and training of the members of the management bodies and the persons holding key positions in the investment intermediary BenchMark Finance AD (the Policy) aims to ensure diversity in the selection of the members of the management bodies. , which guarantees a reliable management and control system. In turn, good corporate governance is a key element of the safe and stable operation of the investment intermediary, based on transparency and independence.

1.4 The policy sets out the main guidelines, criteria and principles for ensuring diversity in the selection and assessment of the suitability of the members of the bodies of the investment intermediary with management and supervisory functions, including senior management - those holding key positions so as to meet the high standards applied by the investment intermediary in order to achieve its goals and strategy.

1.5 All members of the governing body and those holding key positions should have a good reputation, be honest, fair and all members of the governing body should be independent in carrying out their activities and functions, as well as in performing their duties and responsibilities. of the specific position, including its membership in committees of the governing body (if any).

1.6 For the purposes of applying the principle of proportionality and to ensure that the management requirements laid down in Directive 2013/36/EU and Directive 2014/65/EU are properly met, the following criteria should be taken into account:

- the size of the investment firm in terms of the balance sheet number, assets held or managed by clients and / or the volume of operations performed by it;
- the legal form of the investment firm, including whether it is part of a group and, if so, the assessment of proportionality for the group;
- whether the investment intermediary is admitted to trading on a regulated market;
- the type of licensed activities and services provided by the investment firm (see also Annex 1 to Directive 2013/36 / EU and Annex 1 to Directive 2014/65 / EU);

- the geographical presence of the investment firm and the size of the transactions within each jurisdiction;
- the main business model and strategy, the nature and complexity of the business activities and the organizational structure of the investment intermediary;
- the risk strategy, the risk appetite and the real risk profile of the investment firm, taking into account also the annual capital adequacy assessment;
- the permission, in case given by the Financial Supervision Commission to the investment intermediary, to use internal models for assessment of the capital requirements;
- the type of clients of the investment intermediary;
- the nature and complexity of the products, contracts or instruments that the investment firm offers.

1.7 This Policy defines the functions and requirements for each position on the Board of Directors and the time it is expected to devote in annual and monthly values, taking into account the time set aside for induction and training. The policy also includes rules and procedures for introducing the work and training of the members of the Board of Directors.

## **2. Scope and application**

2.1 These Policies and Procedures should ensure compliance with the criteria for assessing the suitability of members of the governing body and those holding key positions and the requirements for recruiting members of the governing body, taking into account diversity and providing sufficient resources for their implementation in their work and training.

2.2 The policy to promote diversity, selection and evaluation of suitability applies to members of management bodies and persons holding key positions in the investment firm.

2.3 Applying the principle of proportionality in the assessment aims to reconcile the governance rules with the individual risk profile and business model of the investment firm, taking into account the position of the person being assessed, in order to effectively achieve the objectives of the regulatory requirements.

2.4 The Investment Intermediary shall apply this Policy in relation to the initial and subsequent assessments of the suitability of the members of the Board of Directors and the persons holding key positions. The investment firm shall continuously monitor compliance with the eligibility requirements of the Board of Directors, individually and collectively, including in order to identify cases in which it should perform an ex-post evaluation.

2.5 The initial assessment procedures for the suitability of newly appointed members of the governing body and persons holding key positions should not apply to persons appointed before the date of application of this Policy.

## **3. Definitions**

3.1 **Persons performing functions in a governing body** are the persons, members of the Board of Directors.

3.2 **Persons holding key positions** means persons who have significant influence over the management of the institution but who are not members of the governing body or are not executive directors. These are the persons in charge of the effective management of the daily activities of the independent units, namely the head of the risk management unit and the head of the regulatory compliance department. By decision of the Board of Directors, other persons who are not members

of the governing body may be designated as persons holding key positions and this Policy may be applied to them.

3.3 **Suitability** means the degree to which a person is considered to have a good reputation and, individually and collectively with others, sufficient knowledge, skills and experience relevant to the specific activities of the investment firm and the main risks to which it is exposed or may be exposed. Eligibility also includes requiring the person to be honest, fair and independent, as well as his or her ability to devote sufficient time to performing his or her duties in the investment firm.

3.4 **Diversity** is a situation in which the characteristics of the members of the management body and the supervisory body, including their age, gender, geographical origin, education and professional experience, differ to such an extent as to ensure diversity of opinion in the management body and the supervisory body.

3.5 **Commissioning** is any initiative or program for preparation of a member of a management or control body for a specific new position in the management body, respectively the control body of an investment intermediary.

3.6 **Geographical origin** is the region in which a person has acquired his or her culture, education or professional experience.

3.7 **Persons working under a contract** for the investment intermediary are:

- a) the members of the management body of the investment intermediary;
- b) employees of the investment intermediary and any person whose services are provided and are under the control of the investment intermediary and who participates in the provision of investment services and activities;
- c) a person who is directly engaged in the provision of services to the investment firm under an agreement to outsource the functions of a third party for the purposes of the investment services or activities provided by the investment firm.

3.8 **Independence** is a model of behavior that manifests itself in the discussion and decision-making within the management body and the control body and is expressed in the making of these decisions by internal conviction and in accordance with the law.

## **II. Requirements for the members of the Board of Directors, functions and time that is expected to be allocated for each position**

### **4. Requirements for the members of the Board of Directors**

4.1 Members of the Board of Directors of the investment intermediary may be persons with good reputation, with the necessary knowledge and skills, with diverse qualifications and professional experience, corresponding to the specifics of the activities performed by the investment intermediary and the main risks to which it is exposed or may be exposed. be exposed.

4.2 The members of the Board of Directors must have higher education and each of the members of the Board of Directors must meet the following minimum requirements for professional experience:

4.2.1. three years in companies in the non-banking financial sector or in banks, provided that its liabilities were related to the main activity of these companies, or

4.2.2. three years in state institutions or other public entities, whose main functions include management and control of state or international public financial assets or management, control and investment of funds in funds established by law, or

- 4.2.3. three years in a regulatory body of the banking and / or non - banking financial sector, or
- 4.2.4. five years in a position with managerial functions in the financial management of an enterprise in the non-financial sector, during which period the managed assets are worth over BGN 1,500,000, or
- 4.2.5. a total of two years in a subject under items 4.2.1, 4.2.2 and 4.2.3 and three years in a subject under item 4.2.4, or
- 4.2.6. a total of one year in a subject under 4.2.2, 4.2.2 and 4.2.3 and four years in a subject under 4.2.4, or
- 4.2.7. a total of three years in a subject under items 4.2.1, 4.2.2 and 4.2.3 and two years in a subject under item 4.2.4.
- 4.3. A person who is a member of the Board of Directors of the investment intermediary or manages its activity (procurator) must meet the following conditions:
- 4.3.1. not to have been convicted of an intentional crime of a general nature;
- 4.3.2. not have been a member of a management or supervisory body or an unlimited liability partner in a company for which insolvency proceedings have been opened, or in a company terminated due to insolvency, if unsatisfied creditors remain;
- 4.3.3. not to have been declared bankrupt or not to be in bankruptcy proceedings;
- 4.3.4. not to be deprived of the right to hold a materially responsible position or to perform a professional activity;
- 4.3.5. has not been in the last two years before the act of the relevant competent authority a member of the management or control body of a company whose license to carry out an activity subject to licensing has been revoked by the Commission or the Bulgarian National Bank or by a relevant authority of another state, except in the cases when the license has been revoked at the request of the company, as well as when the act for revocation of the issued license has been duly revoked, as well as when more than 5 years have passed since the entry into force of the act for license withdraw;
- 4.3.6. (Amended by a decision of the Board of Directors of 25.10.2021) no administrative penalties have been imposed on him with penal decrees that have entered into force in the last five years. A gross or systematic violation of the Markets in Financial Instruments Act, the Public Offering securities prices, the repealed Law on Special Investment Purpose Companies, the Law on Special Investment Purpose Companies and Securitization Companies, the Law on the Activity of Collective Investment Schemes and Other Collective Investment Enterprises, the Repealed Law against Market Abuse of Financial Instruments, the Law on Implementation of Measures against Market Abuse of Financial Instruments, the Law on Credit Institutions, the Insurance Code, the Social Security Code, Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation on market abuse) and repealing Directive 2003/6/EU of the European Parliament and of the Council and Commission Directives 2003/124/EU, 2003/125/EU and 2004/72/EU (OB, L 173/1 of 12 June 2014) (Regulation (EU) № 596/2014), Regulation (EU) № 575/2013, Regulation (EU) № 600/2014 or their implementing acts, or the relevant legislation of another country;
- 4.3.7. (Amended by a decision of the Board of Directors of 25.10.2021) has not been dismissed from a position in the management or supervisory body of a company under the Markets in Financial Instruments Act, the Public Offering of Securities Act, the Collective Investment Schemes Act and of other collective investment undertakings, the Credit Institutions Act, the Insurance Code, the Social

Security Code, the repealed Special Investment Purposes Companies Act, the Law on Special Investment Purpose Companies and Securitization Companies or the relevant legislation of another state on the basis of an applied coercive administrative measure, except in the cases when the act has been duly revoked;

4.4 A person who is a member of the Board of Directors of the investment intermediary or manages its activity (procurator) may not be a spouse or relative by right or collateral line up to and including the third degree, or by marriage up to the third degree with another member of the management or control body of the company, or to be in de facto cohabitation with such a member.

4.5 The requirements of item 4.1 - item 4.4 shall also apply to the natural persons, who have been appointed as representatives of legal entities - members of the management and control bodies of the investment intermediary.

4.6 The requirements of item 4.1 - item 4.4 shall also apply to all other persons who are authorized to conclude transactions independently or jointly with another person at the expense of the investment intermediary.

4.7 The members of the Board of Directors may also be persons involved in the management of other legal entities, provided that this does not impede the effective performance of their duties in the management of the investment intermediary, depending on the nature, scale and complexity of its activities.

4.8 The members of the Board of Directors of the investment intermediary, as well as the persons managing its activity (procurator), are subject to approval by the FSC before their entry in the commercial register, and the natural persons representing legal entities - members of the Board of Directors of the investment intermediary, are subject to approval by the FSC before their appointment as representatives of the legal entities - members of the management or control body of the investment intermediary. The investment firm shall submit an application for approval to the Commission with the data and documents attached to it certifying compliance with the specified requirements for these persons, in accordance with Commission Delegated Regulation (EU) 2017/1943 and Commission Implementing Regulation (EU) 2017/1945 laying down technical implementing standards for notifications to and from license applicants and licensed investment firms.

**5. Functions and positions (departmental activities), time that is expected to be allocated by each of the members of the Board of Directors and procurator. (Supplemented by a decision of the Board of Directors dated 25.10.2021).**

5.1 According to the Articles of Association, the Management Board is managed by a Board of Directors (BD), which adopts all internal policies, rules and procedures in connection with the activities of BenchMark Finance and monitors their implementation, adopting instructions on their implementation if necessary. The members of the Board of Directors must have collective knowledge in all areas necessary to understand the activity of the investment intermediary, the risks arising from it and be able to collectively make appropriate decisions about the business model, risk-taking intentions, strategy and the markets in which the investment intermediary operates.

5.2 (Supplemented by a decision of the Board of Directors dated 25.10.2021) The operational management of the Project activities between the meetings of the Board of Directors is carried out by executive directors, who are elected by the Board of Directors and procurator and the Project Board is represented jointly by two executive members of the Board of Directors or by the procurator together with one of the executive directors.

5.3 (Amended and supplemented by a decision of the Board of Directors dated 25.10.2021) The executive directors, the procurator and members of the Board of Directors appointed by the Board of

Directors without executive functions, in addition to the activities described in the Internal Rules for Organization and Verification of Conformity of BenchMark Finance, perform and are responsible for the following functions (departmental activities):

5.3.1. Executive Director responsible for the activities of the Trade and Customer Service Department, the activities of the Regulatory Compliance Department and the Specialized Service for Markets in financial Instruments Act (MFIA), Legal Department, as well as responsible for providing full assistance, providing data, information and documents during inspections of the FSC, SANS, NRA and other state institutions and bodies.

Time that is expected to be allocated for the implementation of the activity, determined in annual and monthly values, taking into account the time set for the introduction to the work and conducting trainings: 1000 hours per year, 75 hours per month.

5.3.2. Executive Director responsible for the activities of the Trade and Customer Service Department related to trading in financial instruments on international markets, the activities of the Risk Management Department, responsible for the activities of the Business Development, Analysis, Research and Investment Banking Department, including projects and investments with own funds for the Investment Intermediary on foreign capital markets, etc. activities targeting international capital markets.

Time expected to be allocated for the implementation of the activity, determined in annual and monthly values, taking into account the time set for introduction to the work and conducting training: 2016 hours per year, 160-168 hours per month (depending on 20 or 21 working days there are months).

5.3.3. Procurator responsible for the activities of the Marketing Department, Information Systems Service and Protection Department (IT Department), Trade and Customer Service Department in the direction of expanding market share and customer mass in the country and abroad, responsible for projects of the Business Development, Analysis, Research Department and investment banking with the aim of preparing investment studies, analyzes and other forms of general recommendations related to transactions with financial instruments intended for public distribution among the clients of the investment intermediary and for marketing purposes, development of new projects and business solutions for business expansion. Project, increasing competitiveness, actively increasing the company's market share, creating new products and services, etc.

Time expected to be allocated for the implementation of the activity, determined in annual and monthly values, taking into account the time set for introduction to the work and conducting training: 1008 hours per year, 80-84 hours per month (depending on 20 or 21 working days there are months).

5.3.4. Non-executive member of the Board of Directors responsible for the activities of the Trade and Customer Service Department related to trading in financial instruments on the BSE and the internal market, the activities of the Business Development, Analysis, Research and Investment Banking Department focusing on projects and investments in the Bulgarian capital market, cooperation and participation in associations and professional organizations of investment intermediaries in the country, etc. activities aimed at the internal capital market.

Time that is expected to be allocated for the implementation of the activity, determined in annual and monthly values, taking into account the time set for introduction to the work and conducting training: 500 hours a year, 40 hours a month.

5.3.5. Non-executive member of the Board of Directors responsible for the activities of the Business Development, Analysis, Research and Investment Banking Department and acting as Director of



Business Development, according to the Internal Rules for Organization and Verification of Conformity of the Investment Intermediary.

Time expected to be allocated for the implementation of the activity, defined in annual and monthly values, taking into account the time set for the introduction to work and training: 2016 hours per year, 160-168 hours per month (depending on 20 or 21 working days there are months).

5.3.6. Non-executive member responsible for the activities of the Financial and Accounting Department and acting as Financial Director, according to the Internal Rules for Organization and Verification of Conformity of the Investment Intermediary.

Time expected to be allocated for the implementation of the activity, defined in annual and monthly values, taking into account the time set for the introduction to work and training: 2016 hours per year, 160-168 hours per month (depending on 20 or 21 working days there are months).

5.3.7. All members of the Board of Directors (including executive directors) are responsible and monitor the activities of the Financial and Accounting Department in terms of financial support of their respective activities, as well as in terms of overall financial support of the company's activities, fulfillment of all capital adequacy and liquidity requirements. In this regard, the members monitor the condition of the investment and trading portfolio of the investment intermediary and are responsible for making decisions regarding the current liquidity and capital adequacy of the investment intermediary.

5.4 The investment intermediary shall notify the members of the Board of Directors of the expected time they must devote to the performance of their duties.

### **III. Policy regarding the suitability of the members of the Board of Directors. Assessment of the suitability of the members of the Board of Directors, individual and collective assessment.**

6. The suitability policy (under Article 26, paragraph 1 of Ordinance N<sup>o</sup> 38) shall include the planning of the selection, monitoring and continuity of the members of the Board of Directors of the investment intermediary, including their reappointment, and shall determine at least:

6.1 the process of planning the selection, appointment, reappointment and succession of the members of the management body, respectively the members of the supervisory body, and the applicable internal procedure for assessing the suitability of a member, including the internal unit that facilitates that assessment;

6.2 the criteria to be used in the assessment of suitability and which should include the eligibility criteria according to the applicable legislation;

6.3. the manner in which the policy for promotion of diversity in the governing body under Art. 22 of Ordinance N<sup>o</sup> 38;

6.4 the manner in which the target level under Art. 23 of Ordinance N<sup>o</sup> 38 for the under-represented sex in the management and control body of a significant investment intermediary;

6.5 the channel for communication with the competent authorities;

6.6 the way in which the suitability assessment is documented.

7. In view of the fulfillment of the obligation provided for in Article 91 (1) of Directive 2013/36 / EU and Art. 64, para. 7 of Markets in Financial Instruments Act, the investment intermediary guarantees the suitability of each member of its governing body at any time by performing an initial and subsequent assessment of their suitability individually and collectively. Pursuant to Art. 68, para. 1 of



Markets in Financial Instruments Act, the investment intermediary shall perform an initial and subsequent assessment of the suitability of the head of the unit performing the function in accordance with the regulatory requirements, the head of the risk management unit and the head of the internal audit unit (if any), respectively the persons performing the specified functions.

8.(Amended by a decision of the Board of Directors dated 25.10.2021) When a committee for selection of candidates has not been established in the investment intermediary, the suitability assessments under Art. 64, para. 7 of Markets in Financial Instruments Act shall be carried out by a **commission** in a composition determined by a decision of the Board of Directors of the investment intermediary. Persons entrusted with executive functions do not participate in the commission. The members of the commission for assessment of suitability and selection of candidates have appropriate collective knowledge, individual expert knowledge and experience in order to apply Art. 63, para. 2 - 4 of Markets in Financial Instruments Act. The employees in the units of the investment intermediary for verification of compliance, human resources, risk management and legal services shall assist in carrying out the assessments for suitability under Art. 64, para. 7 of Markets in Financial Instruments Act.

9.(Supplemented by a decision of the Board of Directors dated 25.10.2021) The Commission for assessment of suitability and selection applies Art. 63, para. 2 - 4 of Markets in Financial Instruments Act by determining and recommending for approval by the Board of Directors or for approval by the General Meeting, candidates for filling vacancies in the Board of Directors (or procurator), taking into account the knowledge, skills, diversity and experience of the members of the Board of Directors , prepares a description of the functions and requirements for an appointment and calculates the time that the future member of the Board of Directors is expected to devote, as well as sets a target level of gender representation in the governing body, and develops a policy to increase the number of the representatives of the under-represented sex in the governing body in order to achieve the stated goal. The target level, the policy and its implementation shall be made public in accordance with Art. 435 (2) (c) of Regulation (EU) N° 575/2013.

10. The Commission for assessment of the suitability and selection of the candidates performs the analyzes under art. 63, para. 4, items 1 and 2 of Markets in Financial Instruments Act at least once every 2 years (when the Project is significant, the analyzes are prepared at least once a year), namely:

10.1 analyzes the structure, size, composition and results of the work of the Board of Directors and makes recommendations to them for possible changes;

10.2. analyzes the knowledge, skills and experience of the Board of Directors as a whole and of their members individually and reports to the Board of Directors;

11.(Supplemented by a decision of the Board of Directors dated 25.10.2021) **The initial assessment** of the suitability under Art. 64, para. 7 of Markets in Financial Instruments Act shall be performed before concluding a contract with the respective member of the Board of Directors of the investment intermediary or procurator.

12. When performing the assessments under Art. 64, para. 7 of Markets in Financial Instruments Act, the current internal rules are applied, which include the policies and procedures under Art. 14, para. 2, Art. 20, para. 1, art. 22 and Art. 26, para. 1 of Ordinance N° 38, taking into account the nature, scale and complexity of its activity and the type and scope of the investment services and activities performed by the investment intermediary.

13. The assessment under Art. 64, para. 7 of Markets in Financial Instruments Act may also be performed after the election of a person as a member of the Board of Directors of the investment intermediary, when:

13.1 the person concerned has been nominated as a member of the Board of Directors at a general meeting of shareholders, and the management body has not been informed in due time that a new member will be nominated for election, or

13.2 there is a need to appoint a new member because a member of the Board of Directors has left, died or been removed as unfit.

In these cases the investment intermediary assesses the suitability of the newly appointed member and the collective suitability of the Board of Directors within 14 days from his appointment and submits an application for his approval under Art. 15 of Markets in Financial Instruments Act within 7 days of the assessment. The investment intermediary shall immediately notify the relevant member of the Board of Directors if it is deemed unsuitable.

14. The investment intermediary shall stipulate in the management contract concluded with the respective member of the Board of Directors that the performance of his functions will be terminated immediately if he is assessed as unfit to perform the respective position.

15. When performing the assessments for suitability under Art. 64, para. 7 of Markets in Financial Instruments Act shall take into account all relevant information available to the investment intermediary and shall take into account the suitability of the members of the Board of the risks that may arise if weaknesses affecting the directors are identified, individually and collectively, including reputational risks.

16. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When performing **subsequent assessments** for suitability under Art. 64, para. 7 of Markets in Financial Instruments Act are taken into account:

16.1 the presentation of the members of the Board of Directors/the procurator, individually and collectively, and the situation or event that gave rise to the ex-post evaluation and its impact on suitability;

16.2 the efficiency of the work process of the Board of Directors/the procurator, including the efficiency of information flows and the flow of information to the members of the Board of Directors on the basis of information provided by the Conformity Verification Unit and the Risk Management Unit and, if established, the Internal audit;

16.3 the efficiency and prudent management of the investment intermediary;

16.4 the ability of the Board of Directors/the procurator to focus on strategically important objectives;

16.5 the adequacy of the number of meetings held, the attendance, the time spent and the activity of the members of the Board of Directors during the meetings;

16.6 all changes in the composition of the Board of Directors and all weaknesses in terms of suitability, individually and collectively, taking into account the business model and risk strategy of the investment intermediary and changes in them;

16.7 the objectives of the Board of Directors;

16.8 the goals of the investment intermediary;

16.9 the independence of the members of the Board of Directors/the procurator, including whether decision-making is influenced by a member or a small group of members and whether conflict of interest policy is followed;

16.10 the degree of fulfillment of the objectives set in the policies and procedures for introduction in the work and training of the members of the Board of Directors/the procurator under Art. 20, para. 1 of Ordinance N<sup>o</sup> 38;

16.11 events that have a significant impact on the suitability of each member of the Board of Directors, the procurator and collective suitability, including changes in the business model, strategies and organization of the investment firm.

17. The investment intermediary shall provide access to the commission, which performs the suitability assessments, to all the information necessary for the performance of the suitability assessments under Art. 64, para. 7 of Markets in Financial Instruments Act.

18. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment intermediary shall provide access to the shareholders to the results of each suitability assessment under Art. 64, para. 7 of Markets in Financial Instruments Act, as well as to the relevant information on the suitability at any time of the members of the Board of Directors and the procurator. The information is part of the materials for the general meeting for election of the respective person as a member of the Board of Directors of the investment intermediary.

19. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When assessing the **collective suitability** of the Board of Directors of the investment intermediary, the suitability assessments of each member of the Board of Directors and the procurator shall be taken into account separately.

20. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When assessing the suitability of each member of the Board of Directors of the investment intermediary, the assessment of the collective suitability of the Board of Directors and the procurator shall be taken into account.

21. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When weaknesses in the collective suitability of the Board of Directors and the procurator of the investment intermediary are identified, it is assessed whether any of the members of the Board of Directors or the procurator of the investment intermediary is not adjusted.

22. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment firm shall continuously monitor compliance with the eligibility requirements of the Board of Directors, individually and collectively, including in order to identify cases in which it should perform an ex-post evaluation. Subsequent suitability assessments under Art. 64, para. 7 of Markets in Financial Instruments Act are carried out at least once every 2 years, and for significant investment intermediaries - at least once a year.

Where a subsequent assessment is imposed by a specific event or situation, the investment firm may limit its scope to the event or situation that necessitated it.

23. (Supplemented by a decision of the Board of Directors dated 25.10.2021) Assessment of the suitability of a member of the Board of Directors or procurator is performed:

23.1 when a **new member of the Board of Directors or procurator is appointed**, including as a result of direct or indirect acquisition or increase of a qualifying holding in the investment firm, in which case only the new member shall be assessed;

23.2 when a **member of the Board of Directors or procurator is reappointed**, if the requirements for holding the position have changed, or when a **member of the Board of Directors/procurator is appointed to a different position** in the same body of the investment intermediary, in which case only the member whose position is evaluated has changed, and covers an analysis of the relevant aspects, taking into account any additional requirements for the post;

23.3 currently in accordance with item 25 and item 26.

24. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When performing the assessment, it is assessed whether the member of the Board of Directors or the procurator of the investment intermediary:

24.1 has a good enough reputation;

24.2 has sufficient knowledge, skills and experience to perform his duties;

24.3 is able to act honestly, fairly and independently in order to make an accurate self-assessment of the decisions of the Board of Directors and to exercise effective control and monitoring of management decisions;

24.4 is able to devote sufficient time to fulfill its obligations in the investment intermediary.

25.(Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment firm should monitor the suitability of the members of the management body on an ongoing basis so that, if a new fact arises, it can identify situations in which their suitability should be reassessed. Ex-post evaluation of the suitability of each member of the Board of Directors or the procurator of the investment intermediary shall be performed in the following cases:

25.1 when there are doubts as to the suitability of the members of the Board of Directors or the procurator, individually or collectively;

25.2 in case of significant damage to the reputation of a member of the Board of Directors or the procurator, including cases in which these members do not follow the policy of the investment intermediary regarding conflicts of interest;

25.3 when within the review under Art. 69, para. 3 of Markets in Financial Instruments Act was found to be necessary;

25.4 in any case where the suitability of a member of the Board of Directors or the procurator may be materially affected otherwise.

26.(Supplemented by a decision of the Board of Directors dated 25.10.2021) In cases where there are doubts regarding the suitability of a member of the Board of Directors or the procurator of an investment intermediary, an assessment shall be made of the manner in which the suitability of the respective member of the Board of Directors or the procurator is affected.

27.(Amended by a decision of the Board of Directors dated 25.10.2021) When performing the suitability assessments:

27.1 collects information on the suitability of the assessed person through various channels and means, including diplomas, certificates, references, CVs, interviews and questionnaires;

27.2 collects information about the reputation, integrity, honesty and independence of the evaluated person;

27.3 requests a declaration from the assessed person on the accuracy of the information provided by him;

27.4 requests a declaration from the assessed person on actual and potential conflicts of interest;

27.5 verify, as far as possible, the information provided by the assessed person in connection with the evaluation.

28. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When evaluating a specific position/function of a member of the Board of Directors or the procurator, the evaluation of sufficient knowledge, skills and experience and the allocation of sufficient time should take into account the functions of the specific position.

29. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The initial and subsequent assessments of the suitability of the members of the Board of Directors or the procurator, individually and collectively, and the persons under Art. 68, para. 1 of Markets in Financial Instruments Act, do not affect the assessment performed by the Financial Supervision Commission for supervisory purposes.

30. (Supplemented by a decision of the Board of Directors dated 25.10.2021) Assessment of the collective suitability of the Board of Directors ,incl. together with the procurator (if any) is performed:

30.1 when a **new member of the Board of Directors or new procurator is appointed**, including as a result of direct or indirect acquisition or increase of a qualifying holding in the investment firm, in which case only the new member or new procurator shall be assessed;

30.2 when a **member of the Board of Directors or procurator is reappointed**, if the requirements for holding the position have changed, or when a **member of the Board of Directors.procurator is appointed to a different position** in the same body of the investment intermediary, in which case only the member/procurator whose position is evaluated has changed, and covers an analysis of the relevant aspects, taking into account any additional requirements for the post;

30.3 when members of the Board of Directors or the procurator cease to be members of the Board of Directors or a procurator ;

30.4. current when performing a subsequent assessment in accordance with item 31.

31. (Amended by a decision of the Board of Directors dated 25.10.2021) Ex-post evaluation of the collective suitability of the Board of Directors including the procurator (if any) is also performed in the following cases:

31.1 when there is a significant change in the business model of the investment intermediary, the intentions to take the risk and its strategy or structure at individual or group level;

31.2 when within the review under Art. 69, para. 3 of Markets in Financial Instruments Act was found to be necessary;

31.3. in any case where the collective suitability of the Board of Directors may be significantly affected otherwise.

32. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When performing an ex-post evaluation of the collective suitability of the Board of Directors including the procurator (if any) of the investment intermediary, the following shall be taken into account:

32.1 the respective changes in the activity, strategies and risk profile of the investment intermediary;

32.2 the distribution of functions within the Board of Directors and the procurator and their impact on the required collective knowledge, skills and experience of the Board of Directors.

33. (Amended by a decision of the Board of Directors dated 25.10.2021) When evaluating the collective suitability of the Board of Directors and the procurator of the investment firm shall be assessed separately by comparing the composition of the governing body with the collective knowledge, skills and experience of that body and the requirements for collective suitability.

34. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing the suitability of a member of the Board of Directors of the investment firm, within the same period, the collective suitability of the relevant body shall also be assessed. In the case of a significant investment intermediary, it is also assessed whether the overall composition of the committees under Art. 61, para. 2 and 3 of Markets in Financial Instruments Act is appropriate.

35. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing the collective suitability of the investment firm's Board of Directors, the suitability matrix of the Guidelines for the suitability of members of the management body and key functionaries (EBA/GL/2017/12) issued by The European Securities and Markets Authority and the European Banking Authority - Annex I, provided as a separate Excel file to the Guidelines, or a suitability methodology adopted by the investment firm in accordance with the criteria set out in those guidelines.

36. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment intermediary shall maintain documentation from which the fulfillment of the requirements of Art. 64, para. 7 of Markets in Financial Instruments Act and the above requirements and includes at least the results of the performed suitability assessments of the persons, including the identified weaknesses of the persons, individually and collectively, and the measures for their elimination. The investment intermediary shall keep in its archive the documents prepared in connection with the suitability assessments for a period of 5 years.

37. (Supplemented by a decision of the Board of Directors dated 25.10.2021) When performing an assessment under Art. 64, para. 7 of Markets in Financial Instruments Act to a member of the Board of Directors or procurator of the investment intermediary, the name and functions of the respective position must be documented, as well as the results of the suitability assessment regarding the person's ability to devote sufficient time, reputation, integrity, honesty, independence, adequacy of knowledge, skills and experience and compliance with the restriction under Art. 14, para. 1 and 2 of Markets in Financial Instruments Act.

38. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The result of each assessment under Art. 64, para. 7 of Markets in Financial Instruments Act, including the reason for it and the recommendations regarding identified weaknesses, shall be submitted to the Board of Directors of the investment intermediary within 3 working days from its implementation. The recommendations may include recommendations for training, for change in the processes for measures to limit conflicts of interest, to change members of the Board of Directors or procurator of the investment intermediary, to appoint additional members with specific competence, etc.

The Board of Directors of the investment firm, after reviewing the outcome of each evaluation, shall decide on the recommendations. When the Management Authority does not accept the recommendations, it shall state the reasons in writing.

39. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment intermediary shall submit to the FSC the results of an initial suitability assessment under Art. 64, para. 7 of Markets in Financial Instruments Act to the application for approval under Art. 15 of Markets in Financial Instruments Act to the respective member of the Board of Directors or procurator of the investment intermediary. The results under sentence one shall include at least the information, data and documents according to Annex N<sup>o</sup> 1 of Ordinance N<sup>o</sup> 38.

40. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment intermediary shall submit to the Financial Supervision Commission the results of the subsequent assessments under Art. 64, para. 7 of Markets in Financial Instruments Act and the written reasons of the Board of Directors, when the Board does not accept the results and recommendations of the evaluation (Art. 11, para. 3 Ordinance 38) within 7 working days from their submission to the Board of Directors. The results under sentence one shall include at least the information under Art. 4, para. 2 of Ordinance N<sup>o</sup> 38.

Upon establishing the unfitness of a member of the Board of Directors or the procurator of the investment intermediary, respectively of collective unfitness, together with the information under the previous sentence, the investment intermediary shall also provide information about the measures



taken or envisaged under item 41 - item 45 (Art. 13 of Ordinance № 38) and for the period of their application.

At the request of the Deputy Chairman, Head of the Investment Supervision Department, the investment intermediary shall submit additional documentation and information on the performed assessments under Art. 64, para. 7 of Markets in Financial Instruments Act.

41. (Amended by a decision of the Board of Directors dated 25.10.2021) If as a result of initial or subsequent assessment under Art. 64, para. 7 of MFIA it is established that a member of the Board of Directors or procurator of an investment intermediary is not adjusted, the **member of the Board of Directors or the procurator who is not adjusted due to irreparable shortcomings is not appointed or if appointed, is replaced**. If, as a result of an initial or subsequent assessment, a collective unfitness of the governing body is established, the investment firm shall take appropriate measures in a timely manner.

42. (Amended by a decision of the Board of Directors dated 25.10.2021) Where remediable deficiencies in the knowledge, skills and experience of the assessed person, the investment firm may take other appropriate measures to address the deficiencies.

43. (Amended by a decision of the Board of Directors dated 25.10.2021) Significant defects related to the reputation, honesty and integrity of a member of the Board of Directors of the investment intermediary cannot be considered remediable.

44. (Amended by a decision of the Board of Directors dated 25.10.2021) The measures taken by the investment intermediary when a member of the Board of Directors or the procurator is unfit or a collective unfitness of the governing body is established, shall comply with:

44.1 the specific situation;

44.2. the shortcomings of the assessed person;

44.3 the collective suitability of the governing body of the investment intermediary.

45. (Amended by a decision of the Board of Directors dated 25.10.2021) Measures where collective inadequacy or remediable deficiencies in the knowledge, skills and experience of a procurator or members of the Board of Directors may include, but are not limited to:

45.1 redistribution of functions between the members of the Board of Directors or the procurator of the investment intermediary;

45.2 replacement of a member or members of the Board of Directors or the procurator of the investment intermediary;

45.3. appointment of an additional member or members of the Board of Directors or the procurator of the investment intermediary;

45.4 taking measures to reduce conflicts of interest;

45.5 training of some or all members of the Board of Directors or the procurator of the investment intermediary, in order to ensure their suitability, individually and collectively.

46. (Amended by a decision of the Board of Directors dated 25.10.2021) **In assessing** whether a member of the Board of Directors or procurator of the investment firm shall **devote sufficient time** to the performance of its assigned functions and duties, including his ability to understand the activities of the investment firm, its main risks and effects, and the risk strategy of the investment firm. intermediary, at least the following shall be taken into account:



- 46.1 the number of directorships that the assessed person holds simultaneously in financial and non-financial institutions, taking into account the type of companies and the individual positions held;
- 46.2 the volume, nature, scope and complexity of the activity of the investment intermediary;
- 46.3 the place of residence of the assessed person and the time required for travel in order to perform the functions and duties assigned to him;
- 46.4 the number of planned meetings of the Board of Directors of the investment intermediary, where applicable;
- 46.5 the number of director positions that are simultaneously held by the assessed person in non-profit legal entities;
- 46.6 the functions of the position held by the respective member of the Board of Directors or procurator;
- 46.7 the performance of another professional or political activity by the respective member of the Board of Directors or the procurator;
- 46.8 the necessary introduction in the work and training of the respective member of the Board of Directors or the procurator;
- 46.9 other obligations of the respective member of the Board of Directors or the procurator;
- 46.10 the available comparative analysis of the time spent.
47. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing whether a member of the Board of Directors or the procurator of the investment intermediary devotes sufficient time for the performance of the functions and obligations are taken into account and all their absences that are longer than 6 months.
- An ex-post evaluation of the allocation of sufficient time by a member of the Board of Directors of the investment firm shall be carried out if that member takes up an additional position or commences new relevant activities, including in the field of policy.
48. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors and the procurator of the investment intermediary must be acquainted with the activity of the investment intermediary and the **risks arising from it** at a level commensurate with their functions and obligations.
49. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors and the procurator must have sufficient knowledge in the areas for which they are not directly responsible, but are related to the implementation of the activity of the investment intermediary.
50. (Supplemented by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors and the procurator must be familiar with the internal rules for the management of the investment intermediary and apply its policy regarding conflicts of interest.
51. (Amended by a decision of the Board of Directors dated 25.10.2021) When **assessing the knowledge, skills and experience of a member** of the Board of Directors or procurator of the investment intermediary, the following shall be taken into account:
- 51.1 the functions and duties of the respective position and the requirements to be met by the respective member of the Board of Directors or the procurator;
- 51.2. the knowledge and skills of the respective member of the Board of Directors or the procurator, acquired through receiving appropriate education, additional training and accumulated experience;

51.3 experience gained in previous positions;

51.4 the acquired knowledge and skills, demonstrated through the professional conduct of the respective member of the Board of Directors or the procurator.

52. In assessing skills, the functions of the position shall be taken into account. A non-exhaustive list of skills to be assessed is set out in Annex N<sup>o</sup> 2 of Ordinance N<sup>o</sup> 38.

53. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing the knowledge, skills and experience, the experience of the concerned person which he has gained, in the field of:

53.1 financial markets and their regulatory requirements;

53.2 the strategic planning, understanding of the business strategy or business plan of the investment intermediary and their implementation;

53.3 risk management;

53.4 accounting and auditing;

53.5 the assessment of the effectiveness of the rules of the investment intermediary, ensuring effective management, monitoring and control;

53.6 the analysis of the financial information of the investment intermediary and the identification of key issues based on this information and appropriate control mechanisms.

53.7 the experience gained in a managerial position for a sufficiently long period of time by the respective member of the concerned person. The evaluation may also take into account the posts held by the concerned person for a shorter period of time, but these posts alone are not considered sufficient to be accepted, that the member of the Board of Directors or the procurator has sufficient experience.

53.8 (Amended by a decision of the Board of Directors dated 25.10.2021) The following shall also be taken into account in carrying out the assessment:

a) the nature of the position held by the concerned person;

b) the scope of the competences and powers of the person and his functions and obligations in holding the previous position;

c) the nature, type and organizational structure of the undertaking in which the post was held;

d) the scope of the competences and powers of the member of the Board of Directors and his functions and duties in holding the previous position;

e) the technical knowledge acquired in the previous position;

f) the number of subordinates that the member of the governing body held in the previous position.

54. (Amended by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors and the procurator of the investment intermediary must collectively understand the activity of the investment intermediary and the risks arising from it. The members of the Board of Directors of the investment firm must be able to collectively make appropriate decisions about the business model, risk-taking intentions, strategy and markets in which the investment firm operates.

55. (Amended by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors of the investment intermediary must have collective knowledge in all areas that are necessary for the implementation of the activity of the investment intermediary. Each member of the

Board of Directors of the investment firm must have the necessary knowledge and skills to be able to present reasoned opinions and influence the decision-making process.

56. (Amended by a decision of the Board of Directors dated 25.10.2021) The members of the Board of Directors and the procurator of the investment intermediary must have skills for effective management and control of the investment intermediary in the field of:

56.1 the activity of the investment intermediary and the main risks associated with it;

56.2 any significant activity of the investment intermediary;

56.3 relevant areas of financial competence, including financial and capital markets, capital adequacy and liquidity and, where applicable, models;

56.4 the requirements for financial reporting and reporting;

56.5 the regulatory compliance function, risk management and internal audit, where applicable;

56.6 information technology and security;

56.7 local, regional and global markets, where applicable;

56.8 the legal and regulatory environment;

56.9 managerial skills and experience;

56.10 strategic planning;

56.11 the management of international and national groups and the risks associated with group structures, where applicable.

57. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing the **reputation, honesty and integrity** of the members of the Board of Directors of the investment intermediary, account shall be taken of whether the relevant requirements of Art. 13 and 14 of Markets in Financial Instruments Act. In making this assessment, account shall also be taken of whether the member of the Board of Directors or the procurator of the investment firm:

57.1 has liquid and due monetary liabilities;

57.2 owns or has held a significant share or influence in a company that has gone bankrupt or liquidated;

57.3 has been or has been declared insolvent;

57.4 holds large investments, exposures, loans and units insofar as they may have a significant impact on its financial stability.

The circumstances shall be established upon reference in the respective public registers, and when the circumstances are not subject to entry in them, a declaration from the member of the management or control body of the investment intermediary shall be required.

58. (Amended by a decision of the Board of Directors dated 25.10.2021) When assessing the **reputation, honesty and integrity** of the members of the Board of Directors, at least the following factors shall be taken into account:

58.1 the existence of evidence that the conduct of the member of the Board of Directors or the procurator of the investment intermediary was not transparent, honest and responsive in its relations with the Financial Supervision Commission or other bodies;

58.2 presence of refusal, revocation, revocation or termination of registration, permission, membership or license for carrying out commercial activity, economic activity or exercise of profession;

58.3 the reasons for any termination of employment or dismissal from a responsible position, trust relationship or for any request for resignation from such a position;

58.4 presence of an order from the Financial Supervision Commission of a supervised person to release the person as a member of a management or control body of a supervised person;

58.4 any other evidence that the person acts in a manner contrary to professional ethics.

59.(Amended by a decision of the Board of Directors dated 25.10.2021) In **assessing the independence** of a member of the Board of Directors or the procurator of an investment firm, account shall be taken of whether the member concerned holds:

59.1 determination and persuasiveness to evaluate and oppose decisions proposed by other members of the Board of Directors;

59.2 ability to ask questions to the Board of Directors;

59.3 ability not to be influenced by general opinion;

59.4 ability to avoid situations of conflict of interest that would impede the performance of his / her duties independently and objectively.

60. In **assessing** the ability of the relevant member of the Board of Directors to **avoid situations of conflict of interest**, at least the following shall be assessed:

60.1 economic interests;

60.2 the personal and professional relations with the persons holding qualified shareholdings in the investment intermediary;

60.3 other employment relationships and employment relationships for the last five years;

60.4 personal and professional relations with employees of the investment intermediary;

60.5 personal and professional relations with third parties for the investment intermediary;

60.6 membership in other organizations;

60.7 political influence and political relations.

61. The member of the Board of Directors of an investment intermediary shall abstain from voting on issues on which he has a conflict of interest.

62.(Supplemented by a decision of the Board of Directors dated 25.10.2021) The investment intermediary shall immediately notify the Financial Supervision Commission in case of a conflict of interest, which may affect the independence of a member of the Board of Directors or the procurator.

#### **IV. Assess the suitability of key holders**

63. The investment intermediary shall perform an initial and subsequent assessment of the suitability of the persons occupying key positions under Art. 68, para. 1 of Markets in Financial Instruments Act - the head of the unit performing the function in accordance with the regulatory requirements, the head of the risk management unit and the head of the internal audit unit (if any), respectively of the persons performing the specified functions. Assessment of the suitability of the persons occupying key positions under Art. 68, para. 1 of Markets in Financial Instruments Act is carried out in the following cases:

63.1 when new persons are appointed under art. 68, para. 1 of Markets in Financial Instruments Act, including as a result of direct or indirect acquisition or increase of qualified shareholding in the investment intermediary;

- 63.2 currently in the cases when a subsequent assessment under item 62 is performed.
64. When performing the suitability assessment, it shall be assessed whether the respective person under Art. 68, para. 1 of Markets in Financial Instruments Act:
- 64.1 has a sufficiently good reputation;
- 64.2 has sufficient knowledge, skills and experience to perform the functions assigned to him;
- 64.3 is capable of acting honestly and fairly.
65. The investment intermediary shall perform a subsequent assessment of the suitability of the persons under Art. 68, para. 1 of Markets in Financial Instruments Act in the following cases:
- 65.1 when there are doubts regarding the suitability of the person under Art. 68, para. 1 of Markets in Financial Instruments Act;
- 65.2 in case of significant damage to the reputation of the person under art. 68, para. 1 of Markets in Financial Instruments Act, including cases in which the person does not comply with the policy of the investment intermediary regarding conflicts of interest;
- 65.3 when within the review under art. 69, para. 3 of Markets in Financial Instruments Act was found to be necessary;
- 65.4 in any case in which the suitability of a member of the person under Art. 68, para. 1 of MFIA may be significantly affected in another way.
66. When assessing the **reputation, honesty, integrity, knowledge, skills and experience** of the persons under Art. 68, para. 1 of Markets in Financial Instruments Act, the **same criteria** are applied as are applied when performing the assessment of the suitability of the members of the Board of Directors of the investment intermediary. When assessing knowledge, skills and experience, the functions and responsibilities of the specific position should be taken into account.
67. The evaluations shall be performed by a commission, determined in a composition by the Board of Directors. The results of the evaluations shall be submitted to the Board of Directors of the investment intermediary. The commission may be in the same composition as the commission preparing the suitability assessments of the members of the Board of Directors.
68. The initial assessment for suitability shall be carried out before appointment of the person under art. 68, para. 1 of Markets in Financial Instruments Act. If on the basis of an assessment it is established that the person or the candidate for a person under Art. 68, para. 1 of Markets in Financial Instruments Act is not suitable, the investment intermediary takes measures to ensure the adequate implementation of the respective function or does not appoint it.
69. The investment intermediary shall submit to the Financial Supervision Commission:
- 69.1 the results of the initial assessments within 7 days from making a decision for appointment of a new person under art. 68, para. 1 of Markets in Financial Instruments Act, respectively from assignment of implementation of the ones indicated in art. 68, para. 1 of Markets in Financial Instruments Act functions;
- 69.2. the results of the subsequent evaluations - within 7 working days from their submission to the Board of Directors of the investment intermediary.
70. The results of the assessments of the persons under art. 68, para. 1 of Markets in Financial Instruments Act include at least the information, data and documents according to Annex N<sup>o</sup> 1 of Ordinance N<sup>o</sup> 38.

71. The requirements for assessment of the suitability of the head of the unit performing the function in accordance with the normative requirements, the head of the risk management unit and the head of the internal audit unit (if any) shall be applied respectively to the persons performing in Art. . 68, para. 1 of Markets in Financial Instruments Act functions (employees in the units with such functions).

72. The investment intermediary shall dismiss as soon as possible from office or performance of the respective function a person under Art. 68, para. 1 of Markets in Financial Instruments Act, for which the Deputy Chairman of the FSC found that it is not appropriate if the identified weaknesses cannot be eliminated in another way. The investment intermediary shall provide for appropriate measures to fulfill the obligation under sentence one.

## **V. Policy to promote diversity among the members of the Board of Directors. Appointment and continuity of its members.**

73. In implementing the suitability and recruitment policy of the Board of Directors, the investment firm shall seek to include a wide range of qualities and competencies in order to provide diverse perspectives and experiences and to promote independent opinions and a stable process. of decision-making within the governing body. The policy for the promotion of diversity in the Board of Directors of the investment firm shall include at least the following aspects of diversity:

73.1 education and professional experience;

73.2 gender;

73.3 age;

73.4 geographical origin, when the investment intermediary carries out activity outside the territory of the Republic of Bulgaria;

73.5 career planning and measures to ensure equal treatment and opportunities for persons of different sexes.

74. In setting diversity objectives in the investment firm's management and supervisory body, the investment firm shall take into account the results of diversity analyzes published by the European Securities and Markets Authority (ESMA), the European Banking Authority or other institutions of the The European Union.

75. (Amended by a decision of the Board of Directors dated 25.10.2021) Investment intermediary BenchMark Finance is a joint-stock company with a one-tier management system, given that according to the Bulgarian legislation its managing body is the Board of Directors. The number of persons on the Board of Directors is determined by the General Meeting of Shareholders. According to a decision of the General Meeting of Shareholders held in 2021, the members of the Board of Directors are five persons. The number of persons included in the Board of Directors shall be commensurate with the size, complexity and scope of the intermediary's activities and shall ensure a sufficient level of general expertise. With a decision of the Board of Directors from 2021. a procurator was also elected, who always represents the company together with one of the executive directors.

76. (Amended by a decision of the Board of Directors dated 25.10.2021) With this policy, BenchMark Finance sets the following target level of representation taking into account the diversity aspects of the members of the Board of Directors:

76.1 Subject to the requirements of the Guidelines for the assessment of the suitability of members of the management body and persons holding key positions (adopted by ESMA, together with EBO on 21.03.2018), in institutions that are not significant and have a governing body, consisting of less than



5 members, the target level for the representation of the underrepresented gender in the governing body can only be expressed qualitatively. The requirement has been met and both sexes have been represented on the Board of Directors since 2008. At present, 20% of the Board of Directors are women.

76.2 With regard to age diversity in the composition of the Board of Directors, at the time of the last update of the Policy two of the non-executive members of the Board is between 51 and 60 years old (executive member), two members of the Board are between 41 and 50 years of age. (one executive and one non-executive member) and one who is also an executive director aged between 30 - 40 years.

76.3 In terms of education and professional experience, all members of the Council and the procurator have a university degree in economics and a master's degree in economics. Two of the members of the governing body, who are non-executive members and the procurator of the company have more than 20 years of management experience in the financial sector, gained in managing the activities of the investment intermediary and management company, one member of the Board who is also executive director with managerial experience in the financial sector between 11 - 15 years, the other executive director has managerial experience in the investment intermediary between 5 - 10 years, and one non-executive member of the Board of Directors who has experience in the financial sector over 15 years and managerial one between 1 -5 years.

76.4 With regard to the geographical origin of the members of the Board of Directors. Until now, BenchMark Finance has not carried out and does not currently carry out active activities internationally, given that geographical origin is not represented as an aspect of diversity in the composition of its governing body as all members of the board have cultural, educational and professional experience. in the region of the European Union (mostly the Republic of Bulgaria).

76.5 At present, the composition of the Board of Directors of the company complies with the regulatory requirements of the Markets in Financial Instruments Act, as well as with the knowledge, qualifications and skills possessed by the candidates, necessary to ensure proper and prudent management of the investment intermediary. The composition of the Board of Directors (including the procurator) and the number of persons included in it shall be consistent with the size, complexity and scope of the activity of the investment intermediary and shall ensure the availability of a sufficient level of general expertise. The composition of the Council shall guarantee the independence and impartiality of the decisions and actions of its members. With this in mind, it can be assumed that the selection and diversity objectives have been met under the current composition of the governing body of BenchMark Finance.

77. The diversity policy in the company's governing bodies does not currently provide for the inclusion of employee representatives on the Board of Directors of the investment firm.

78. In order to facilitate the selection of a sufficiently diverse group of candidates for management positions, the investment firm shall implement a diversity and staff policy, including aspects of career planning and measures to ensure equal treatment and opportunities for staff. of different sexes.

79. The decision to recruit a new member of the governing body should take into account the fact that the greater diversity of the governing body contributes to constructive criticism and discussion based on different points of view. However, members of the governing body should not be recruited solely for the purpose of enhancing diversity, affecting the functioning and collective suitability of the governing body as a whole or at the expense of the suitability of individual members of the governing body.



80. A proposal for reappointment of a member of the Board of Directors of the investment firm shall be made only after an evaluation of the performance of the respective member during his last term and taking into account the result thereof.

81. The investment firm shall identify and select qualified and experienced members of its Board of Directors and ensure appropriate continuity planning in those bodies.

82. The Commission for assessment of suitability and for selection of candidates in cooperation with the human resources unit in connection with the selection of candidates for the vacant positions in the Board of Directors of the investment intermediary:

82.1 prepare a description of the functions and requirements for a specific appointment, as well as the time expected to be allocated to the relevant position;

82.2 assess the appropriate balance of knowledge, skills and experience on the Board of Directors;

82.3 takes into account the diversity policy objectives.

83.(Amended by a decision of the Board of Directors dated 25.10.2021) Each member of the Board of Directors and the procurator of the investment intermediary shall be familiar with the culture, values, behavior and strategy of the investment intermediary, if possible before taking office.

84. The Board of Directors of the investment intermediary shall adopt a continuity plan for its members, which shall ensure continuity in decision-making. Continuity planning shall take into account the objectives and target levels set in the diversity policy.

**VI. Policies regarding induction and training of the members of the Board of Directors and the procurator. Defining training objectives, financial and human resources for the introduction and training of the members of the Board of Directors. Training programs.**  
(Amended by a decision of the Board of Directors dated 25.10.2021)

85. The investment firm should ensure the introduction of the members of the Board of Directors and the procurator, and should allocate sufficient resources for the introduction and training of the members of the management body, both individually and collectively.

86. The main objectives of the Board of Directors with regard to induction and training are to make it easier for new members to gain a clear idea of the structure, business model, risk profile and governance rules of the intermediary and the role of the member (s). in their frameworks and responsibilities, and to provide for appropriate general training programs and, if necessary, those tailored to individual needs. The training should also promote their awareness of the benefits of diversity in the governing body and the investment firm.

87. All newly appointed members of the Board of Directors/procurator should be given the opportunity to receive key information on the activities of the intermediary no later than 1 month after taking office, and the induction should take place within 6 months. Any member of the governing body may request that the Board of Directors be provided with induction or training at any time.

88. Where the appointed members of the Board of Directors have to fulfill a specific aspect of the knowledge and skills requirements, the training and implementation of the member in question should be aimed at filling the identified gap within an appropriate period and, if possible, before taking up office or otherwise as soon as possible after actually taking office. In any case, the member should meet all the requirements regarding the attainment of the required level of knowledge and skills, no later than 1 year after taking office. If appropriate, the investment firm may set another time limit within which the necessary measures should be implemented and notify the competent

authority accordingly. The members of the governing body should maintain and deepen the knowledge and skills necessary for the performance of their responsibilities.

89. The human and financial resources provided for induction and training should be sufficient to achieve the objectives of induction and training and to ensure the suitability of the member and the fulfillment of the requirements for his functions. When determining the human and financial resources necessary for the implementation of effective policies and procedures for the induction and training of the members of the Board of Directors/the procurator, the investment firm shall take into account the number of induction and training sessions, their costs and all related administrative tasks and, if applicable, the relevant benchmarks available in the sector, for example in relation to the available training budget and the planned training days, including the results of the benchmarking provided by EBA.

90. The investment intermediary shall identify, as appropriate, the areas in which training is needed, both collectively for the management body and for the individual members of the management body. The relevant economic areas in which the intermediary mainly operates and the internal functions, including the internal control functions, should be included in the development of the content of the induction and training programs.

91. For the purposes of developing training programs, account should be taken of the information provided by the Human Resources Unit, the Unit responsible for drawing up the budget of the Project (Financial Accounting Unit) and the unit organizing the training, as well as the unit assessing the regulatory compliance, if applicable.

92. The investment intermediary shall review once a year the policies and procedures, as well as the training plans in connection with changes in its management and activity, strategic changes, new products, as well as changes in the applicable legislation and the development of the markets of financial instruments.

93. The investment intermediary shall review the implementation and assess the quality of the introduction to the work and training of the members of the Board of Directors/the procurator and shall ensure the observance of the policies and procedures for introduction into the work and training.

## **VII. Final provisions**

94. The investment firm shall review and update this policy at least annually, taking into account the recommendations made by the compliance unit, and shall keep records regarding the adoption of the policy and any amendments thereto.

95. The board of directors of the investment firm shall monitor the effectiveness of this policy and review its content and implementation.

96. The Compliance and Risk Management Unit and the Internal Audit Unit (if any) shall provide the information necessary to develop this policy.

97. The Compliance Unit shall analyze whether the current policy affects the investment firm's compliance with applicable laws, internal policies and procedures and report to the investment firm's Board of Directors on any identified risks to regulatory compliance and non-compliance. problems. The analysis is part of the annual report under Art. 52, para. 2 of Ordinance N<sup>o</sup> 38 and shall be submitted to the Board of Directors by January 31 of each year for the previous year and to the Deputy Chairman of the Financial Supervision Commission within 7 working days after its submission to the Board of Directors.

98. This Policy is provided for information and implementation to the members of the Board of Directors of the investment intermediary, as well as to all persons working under a contract for him, who have functions in the appointing unit in relation to the members of the management body and occupying key positions. in the investment intermediary.

99. The investment intermediary shall carry out training and assessment of the suitability of the members of the Board of Directors and of the persons under Art. 68, para. 1 of Markets in Financial Instruments Act, for which no suitability assessment has been performed and which have been appointed before the entry into force of Ordinance № 38 on the requirements for the activity of investment intermediaries, prom. State Gazette, no. 51 of 05.06.2020, within 12 months from its entry into force. The results of the initial suitability assessments performed within this period should be submitted to the Financial Supervision Commission within 7 working days of their performance.

100. This Policy completely repeals the Policy for Promotion of Diversity, Selection and Evaluation of the Members of the Management Bodies and the Persons Holding Key Positions in the Investment Intermediary BenchMark Finance, adopted by the Board of Directors on 16.07.2018.

101. This Policy for selection, assessment of suitability, promotion of diversity, introduction in the work and training of the members of the governing bodies and the persons holding key positions in investment intermediary BenchMark Finance AD (the Policy) was adopted by a decision of the Board of Directors on 09.12. 2020, amended and supplemented by a decision of the Board of Directors dated 25.10.2021.