



Corporate Governance & Business Ethics

This English translation of the German authentic text is
for information purposes only.

Valid from December 2018

**CENTRAL
SECURITIES
DEPOSITORY**

CeKB 
CSD GmbH

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1 Introduction

With its Corporate Governance and Business Ethics document, OeKB CSD GmbH (hereinafter referred to as OeKB CSD) ensures compliance with the organisational requirements pursuant to Chapter II Section 1 and the conduct of business rules pursuant to Chapter II Section 2 as laid down in Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (hereinafter referred to as CSDR).

2 Company

2.1 General Information

OeKB CSD GmbH (OeKB CSD) is a limited liability company established in the municipality of Vienna, with its registered address at Strauchgasse 1-3, 1010 Vienna. It is registered in the company register of the Vienna Commercial Court with the number FN 428085 m.

OeKB CSD was granted the licence as CSD according to Article 17 of the EU Regulation (EU) No. 909/2014 and received the permission to provide banking-type ancillary services according to Article 54 of the EU Regulation (EU) No. 909/2014 as well as a licence for “providing cash accounts to and accepting deposits from, participants in a securities settlement system and holders of securities accounts, within the meaning of point 1 of Annex I to Directive 2013/36/EU” according to Section C lit. a) of the Annex to the EU Regulation (EU) No. 909/2014 (=CSDR) in conjunction with Article 1 para. 1 of the Austrian Banking Act (*Bankwesengesetz; BWG*) by the Financial Market Authority (FMA).

2.2 Owner

OeKB CSD is a 100% subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft, registered in the company register of the Commercial Court Vienna with the number FN 85749 b in the municipality of Vienna and the registered address at Am Hof 4, 1010 Vienna ("OeKB"). OeKB made an initial capital contribution in the amount of EUR 20,000,000 (in words: twenty million euros), which represents the full share capital as well as 100% of OeKB CSD's shares.

2.3 Business Area, Corporate Strategy

As central securities depository (CSD), OeKB CSD plays an important and central role in Austria's capital market. It is in charge of holding securities deposited with OeKB CSD in a central depository (collective custody), which can be disposed of by way of instruction. It provides centralised services for participants in the Austrian capital market:

- It accepts the securities of borrowing issuers for holding them in safe custody and administering them on the investors' behalf;
- It carries out investors' booking orders for the settlement of securities transactions they placed on the stock exchange and over-the-counter;
- It processes issuers' payments made to investors to settle investors' claims to issuers as evidenced by the securities.

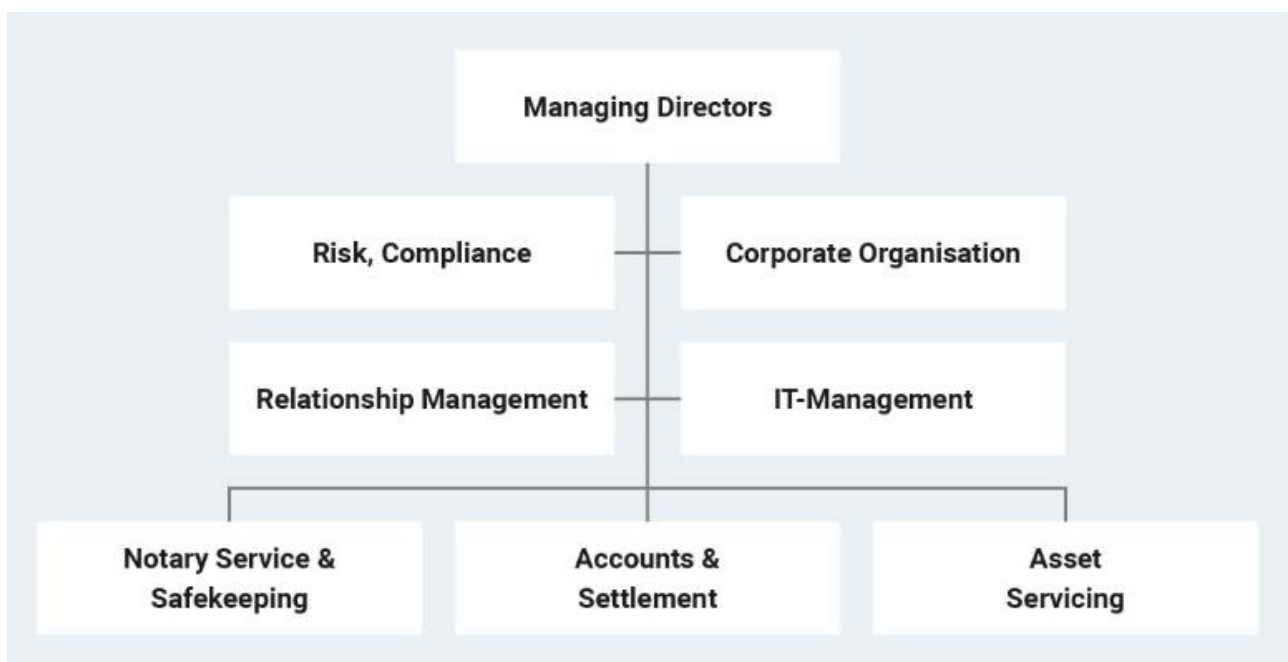
The corporate strategy (*Unternehmensstrategie*) defines

- the role and the mandate;
- the operating model of OeKB CSD;
- the objectives;
- the business model as well as
- current measures taken to achieve the objectives.

2.4 Organisational Structure

2.4.1 Organisation Chart

OeKB CSD has established an organisational structure and continuously applied decision-making processes which ensure the documentation of reporting requirements and assigned functions and tasks (organisation charts, job descriptions, responsibilities, reporting lines).



2.4.2 Functional Model of OeKB CSD

An functional model serves as the foundation for the organisational structure as well as for the procedural structure, for corporate documentation and the legal relationships with customers (General Terms and Conditions) to comply with the framework set forth in Regulation (EU) No. 909/2014 (CSDR), on the one hand, and to ensure the best possible organisation to fulfil the role and the mandate, on the other hand. In accordance with this model, OeKB CSD provides as minimum scope of services according to Article 32 para. 1 of the CSDR the following five functions:

- Notary Service & Safekeeping;
- Securities Account Administration;
- Cash Account Administration;
- Settlement and
- Asset Servicing.

In accordance with the objective defined in the corporate strategy of using at least 60% of human resources exclusively for operational services, the organisational structure focuses on the three groups of Notary Service & Safekeeping, Accounts & Settlement and Asset Servicing. These three groups render all operational services to be provided within the scope of OeKB CSD's five functions.

The operational tasks are assigned to these three groups in such a way that the services to be provided by each group are almost equal to the tasks of one or several functions in accordance with the functional model of OeKB CSD. This facilitates a clear delimitation of the areas of responsibility and is in line with the GTC structure and the customers' needs.

2.4.3 Employee Involvement in the Organisational Structure

The role of each OeKB CSD employee is defined by the function group to which they are assigned. The description of the function groups contains the job title, the objectives, the tasks, the specification of services, the job profile and the salary range. OeKB CSD employees comply with the procedures as required to properly fulfil their tasks and are familiar with the corresponding written documents and instructions. Training on the relevant statutory provisions takes place on a regular basis. Employees need to confirm that they acknowledge the provisions.

Systemic records are taken of business operations and the internal organisation, and provisions are taken for the proper and fair execution of tasks if employees take over several functions (conflicts of interest). Functions inside and outside the bank are subject to reporting requirements and to approval.

When the central securities depository was spun off into OeKB CSD, individual contracts were concluded with the employees affected to the effect that their employment relationships with OeKB will remain in place and they work for OeKB CSD within the scope of hiring out workers. The provisions of the CSDR led to this procedure - it was not ordered by the company - as it was the only possibility to spin off the central securities depository quickly and smoothly. As a result, all OeKB CSD employees are employed by OeKB and are hired out to OeKB CSD on the basis of a labour supply agreement with OeKB.

2.5 Compliance Management System

The Compliance Management System covers all of measures and procedures in place in the company with a view to achieving conformity with the rules on an on-going basis. On the basis of OeKB CSD's compliance risk analysis, in order to prevent violations, operating instructions were defined for each compliance-relevant procedure which describe the proper conduct relative to certain facts and/or to certain situations where decisions have to be made. All compliance-relevant documents and pieces of information are made available to each employee for information and their perusal, and each employee usually attends compliance training once a year. In order to ensure a lasting effect of the specified operating instructions, annual checks of how those are applied in the daily business are carried out in accordance with the compliance review plan. In the event that a violation of compliance rules is suspected, the Chief Compliance Officer (CCO) will evaluate whether the suspicion may turn out to be substantiated. Sanctions will be imposed if laws, internal guidelines or work instructions are knowingly and culpably breached. The type of sanction depends on the significance of the breach and may be an admonition, caution, transfer or (immediate) termination. In any event (except when terminated), the employee concerned has to undergo more intense personal training.

3 Transparent, Standardised Services

In accordance with its corporate strategy (*Unternehmensstrategie*), OeKB CSD does not offer any services that are to be agreed individually to market participants, but solely standardised/automated services based on internationally customary standardised business processes and interfaces.

Therefore, all legal relationships between OeKB CSD and its customers can be agreed in the form of the General Terms and Conditions of OeKB CSD (GTC) (*Allgemeinen Geschäftsbedingungen der OeKB CSD*) and its annexes. The GTC are structured according to OeKB CSD's five functions and ensure separate access to the specific services rendered. The GTC are available on OeKB CSD's website www.oekb-csd.at.

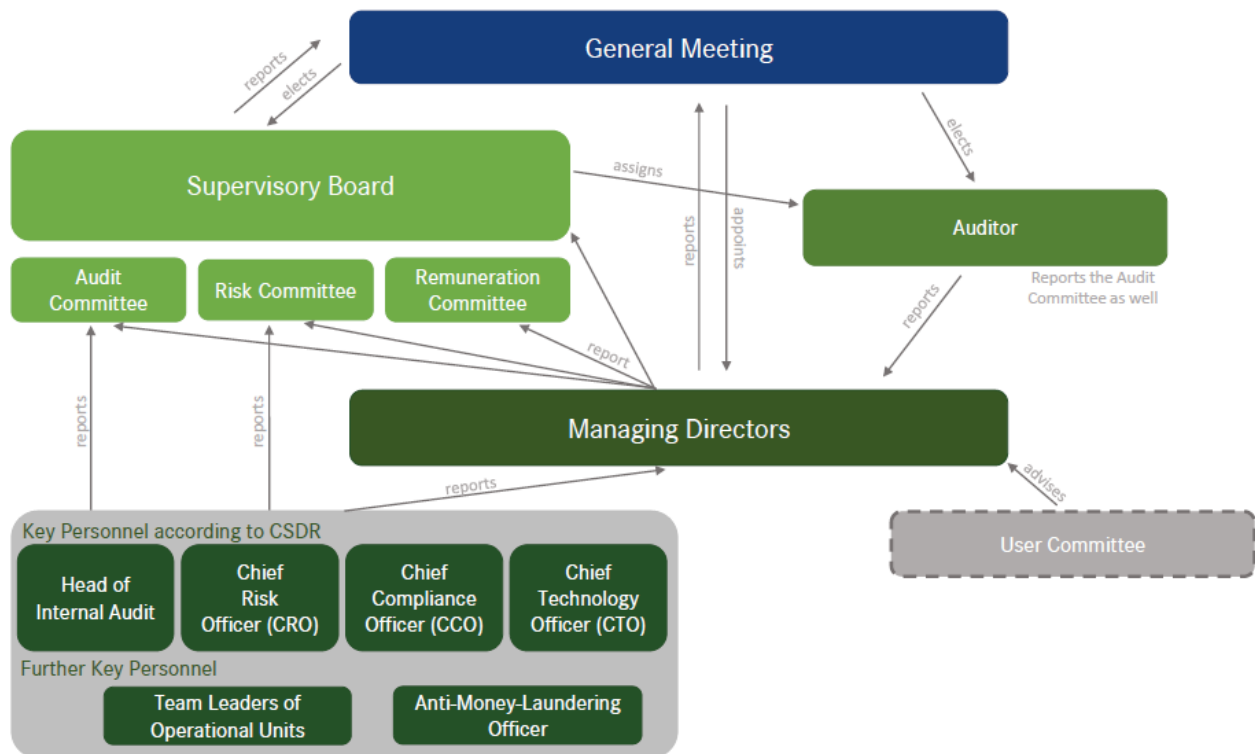
In the GTC and their annexes

- the participation criteria for participating in the securities settlement system;
- the current list of participants in the securities settlement system (*list of participants of SSS/account holders*);
- the procedure regarding a suspension and the orderly exit of a participant from the securities settlement system who has violated or no longer meets the participation requirements;
- the key aspects of the procedure in the event of default of one of the participants in the securities settlement system including the circumstances under which measures may be taken, and including information as to who may take such measures and the scope of the potential measures to be taken, also with regard to own positions, resources and assets and those of the customers;
- all organisational and technical processes and interfaces between OeKB CSD and its customers, as well as
- all fees and charges for each service and task rendered separately, including the discounts and rebates as well as the conditions for granting corresponding reductions (*price list*)

are documented and thus stipulated transparently and exhaustively. Hence, there are no relevant agreements between OeKB CSD and its customers with regard to the services rendered by OeKB CSD apart from the GTC and their annexes.

4 Bodies of the Company

OeKB CSD's bodies are the Management Board, the General Meeting and the Supervisory Board.



The *Fit & Proper Policy* lays down the selection strategy, the criteria for evaluating fitness, the required documents and the procedure for ensuring fitness as well as re-evaluation, if necessary, of the Supervisory Board members and the Managing Directors.

As they are in charge of managing and monitoring the institution, specific requirements apply to the Managing Directors and the Supervisory Board members with respect to their technical and personal skills as well as their personal reliability. The required expertise, skills and experience of every single person with regard to the collective requirements to the bodies' composition ensure that informed and substantiated decisions are made for the management of OeKB CSD based on a sound understanding of OeKB CSD's business, its risks and governance structure as well as on familiarity with the regulatory framework.

In combination with the corporate strategy (*Unternehmensstrategie*), the risk policy & risk strategy (*Risikopolitik und Risikostrategie*) as well as the Rules of Procedure of the Management Board and the Supervisory Board and other mechanisms and procedures, the *Fit & Proper Policy* is designed to ensure the prudent management of OeKB CSD and to increase risk management effectiveness.

4.1 Management Board

OeKB CSD is managed by at least two, but no more than five managing directors (*Stellenprofil GF, Fit & Proper Self Assessment*). The company is represented jointly by two managing directors, or by one managing director and an authorised signatory holding joint power of attorney (*Gesamtprokurist*), or - consistent with statutory restrictions - by two authorised signatories holding joint power of attorney. Appointing authorised signatories holding individual power of attorney (*Einzelprokuristen*) and conferring power of attorney to single individuals for the entire business operations is not permitted.

In its activities, the Management Board is bound by the resolutions of the General Meeting and obligated when exercising its powers to adhere to any and all restrictions laid down by law, the company's Articles of Association (*Gesellschaftsvertrag*), the resolutions adopted by the General Meeting and the Supervisory Board as well as the Rules of Procedure for managing directors (*Geschäftsordnung für die Geschäftsführer*).

The Management Board is jointly responsible for managing OeKB CSD's business and shall consensually exercise all Management Board tasks. The Management Board shall meet or have conference calls whenever necessary, but usually once a week.

4.1.1 Management Board's Reports to the General Meeting

Pursuant to Article 11 para. 1 of the Articles of Association, the Management Board shall, in the first five months of every financial year, prepare the financial statements and the management report for the preceding financial year and, after the auditor's audit, present them to the Supervisory Board and to the shareholders together with a proposal for the appropriation of profits.

In addition, at the OeKB CSD's sole shareholder's request, the managing directors shall promptly report to it about the company's affairs and, within the scope of its report to the General Meeting, inform it of any and all incidents and occurrences that could be of particular importance to the company.

4.1.2 Management Board's Reports to the Supervisory Board

The Management Board shall report to the Supervisory Board on fundamental aspects regarding the future OeKB CSD business policy at least once a year and present a forecast of the anticipated development of net assets, financial position and profit or loss (annual report).

In addition, the Managing Directors shall, on a quarterly basis, report to the Supervisory Board on the course of business and the performance of the company as compared with the forecast and taking into consideration the future development (quarterly report).

The Managing Directors are obliged to promptly report to the Supervisory Board on material events, in particular if the company might be seriously harmed or if circumstances exist which may be significant to the company's profitability and liquidity (special report). If necessary, the General Meeting shall be convened.

4.2 General Meeting

The General Meeting is the highest-ranking body of OeKB CSD. Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) is the sole shareholder of OeKB CSD. The document *Eigentümerstruktur der OeKB CSD* provides an overview of OeKB CSD's ownership structure. Resolutions which are reserved for the shareholders, as specified by law and the Articles of Association (*Gesellschaftsvertrag*), shall be passed by the General Meeting.

Pursuant to the Articles of Association, the ordinary General Meeting shall take place annually within the first eight months of the financial year. Within these eight months, the shareholders shall make decisions with respect to the audit and approval of the financial statements, the use of the net profit or loss for the year, the formal approval of the activities of the managing directors and the Supervisory Board in the preceding financial year, and the appointment of the auditor.

Apart from the cases stipulated by law, an extraordinary General Meeting shall be convened whenever the interests of the company require such meeting or when shareholders whose original contributions amount to at least one tenth of the share capital request the convening of such a meeting in writing, stating the purpose.

In addition to the matters reserved by law, the General Meeting is responsible in particular for

- the review and approval of the financial statements;
- resolutions on the appropriation of profit or loss (net profit or loss for the year);
- the appointment of the auditor;
- the appointment and removal of the managing directors and the termination of the managing directors' employment contracts;
- the formal approval of the managing directors' activities;
- resolutions on the dissolution of the company and the appointment and removal of liquidators and their representation rights; and
- resolutions on any amendments to the Articles of Association.

4.3 Supervisory Board

OeKB CSD's Supervisory Board consists of five or six adequate members, two of which shall be independent and able to guarantee that they exercise their functions on the Supervisory Board free from shareholders' interests and in the interest of the participants in OeKB CSD's securities settlement system. They shall not have any legal relationship with the company, the shareholders or third parties that would hinder them from exercising their supervisory board activities independently.

The Supervisory Board shall monitor OeKB CSD's Management Board with respect to its legality, expediency and efficiency. To this end, the Managing Directors shall submit annual, quarterly and special reports to the Supervisory Board and are asked to report to the Supervisory Board of their own accord whenever necessary. The Supervisory Board as a body can request a report on the company's affairs from the Managing Directors at any time.

The Supervisory Board shall be convened whenever this is necessary to perform its duties, but at least one meeting per quarter shall take place.

The principles, the framework and the duties of the Supervisory Board are laid down in the Rules of Procedure for the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*).

Pursuant to Article 8 para. 2 of the Articles of Association, the Management Board needs the Supervisory Board's consent for the following transactions and matters:

- the acquisition and sale of investments (Article 228 of the Austrian Business Code (*Unternehmensgesetzbuch; UGB*)) as well as the acquisition, sale and closure of companies and plants;
- the acquisition, sale and mortgaging of properties;
- the establishment and closure of branches or branch offices;
- determining the annual budget (consisting of investment and finance plans, projections for the balance sheet and the income statement);
- investments that, individually or in total within a financial year, exceed the amount of EUR 50,000;
- issuing bonds, taking out loans and credit lines that, individually or in total within a financial year, exceed the amount of EUR 100,000;
- adding as well as discontinuing lines of business;
- defining general principles of business policy;
- entering into work contracts and service contracts with third parties (outsourcing) that, individually or in total within a financial year, exceed the amount of EUR 50,000.

Article 48 of the Commission Delegated Regulation (EU) 2017/392 sets forth that OeKB CSD's Supervisory Board shall establish the following committees from amongst its members, whose responsibilities and powers are defined by the Supervisory Board as part of the regulatory requirements:

- a Risk Committee;
- an Audit Committee and
- a Remuneration Committee.

The chairperson of the Supervisory Board and his or her deputy shall be members of each committee. The remaining committee members shall be appointed by resolutions of the Supervisory Board. Definitions and responsibilities of the committees are laid down in the Rules of Procedure for the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*).

4.3.1 Risk Committee

The Risk Committee was established pursuant to Article 48 of the Commission Delegated Regulation (EU) No 2017/392 in accordance with the provisions laid down in Article 39d BWG.

The Risk Committee advises OeKB CSD's Supervisory Board and Management Board on the current and future risk appetite and oversees implementation of the risk strategy.

The Risk Committee shall hold at least one meeting per financial year. The Chief Risk Officer (CRO) shall attend the meetings and report on the types of risk and the company's risk situation.

Consistent with the statutory provisions, the responsibilities of the Risk Committee include:

- advising the Management Board on the company's current and future risk appetite and its risk strategy;
- monitoring implementation of the risk strategy in the context of controlling, monitoring and limiting the risks affecting the company, capital adequacy and liquidity;
- verifying whether the company's pricing adequately takes the risk strategy into account and, if this is not the case, ordering the Management Board to prepare a plan with remedial measures and approving it;
- verifying whether the incentives offered by the remuneration scheme take into account the company's risk, capital and liquidity structures as well as the probability and due date of revenues (the responsibilities of the Remuneration Committee notwithstanding).

4.3.2 Audit Committee

The Audit Committee was established pursuant to Article 48 of the Commission Delegated Regulation (EU) No. 2017/392 in accordance with the provisions laid down in Article 30g of the Limited Liability Company Act (*GmbHG*) and Article 63a BWG.

The Audit Committee advises the Supervisory Board and the Management Board on checking and overseeing internal audit activities and on monitoring the effectiveness of the internal control system, the internal audit system and the risk management system.

The Audit Committee shall meet at least twice in a financial year.

Consistent with the statutory provisions, the responsibilities of the Audit Committee include:

- checking and overseeing internal audit activities, monitoring the effectiveness of the company's internal control system, the internal audit system and the risk management system as well as advising the Management Board in this context and reporting to it and to the Supervisory Board;
- monitoring the company's financial reporting process and issuing recommendations or suggestions on ensuring its integrity;
- monitoring the external audit;
- verifying and monitoring the auditor's independence, especially with regard to the additional services provided to the company;
- auditing the financial statements and preparing their approval, auditing the suggested distribution of profits and the management report as well as reporting the audit results to the supervisory board;
- delivery of the report on the findings of the external audit to the Supervisory Board and a statement on how the external audit contributed to the reliability of financial reporting as well as on the Audit Committee's role in this regard;
- conducting the procedure for selecting the auditor, taking into account the adequacy of the fee as well as making a recommendation for the auditor's appointment to the Supervisory Board.

4.3.3 Remuneration Committee

The Remuneration Committee was established, pursuant to Article 48 of the Commission Delegated Regulation (EU) No. 2017/392, in accordance with the provisions laid down in Articles 39b and 39c BWG.

The Remuneration Committee advises the Supervisory Board on the remuneration policy and the remuneration practices it oversees and advises the Management Board on remuneration matters.

The Remuneration Committee shall hold at least one meeting per financial year.

Consistent with the statutory provisions, the responsibilities of the Remuneration Committee include:

- advising the Management Board on remuneration matters and on adopting resolutions on the subject of remuneration;
- approving the general principles of the company's remuneration policy and remuneration practices;
- overseeing and regularly monitoring the remuneration policy, the remuneration practices and the incentive structures relevant to remuneration for the company's employees, in each case in the context of controlling, monitoring and limiting the company's risks, capital adequacy and liquidity, taking into account the long-term interests of the company's sole shareholder, investors and employees as well as the economic interest in a functioning capital market and in a stable financial market;
- responsibility for implementing the company's remuneration policy and remuneration practices it has approved;
- reviewing the remuneration of managing directors and of senior executives in the fields of risk management and compliance.

5 Key Personnel

5.1 Key Personnel/CSDR

Pursuant to Commission Delegated Regulation (EU) 2017/392, OeKB CSD shall have a Chief Risk Officer (CRO), a Chief Technology Officer (CTO), a Chief Compliance Officer (CCO) and an internal audit function. The key personnel shall be staffed with qualified persons. They are responsible for implementing the principles and procedures that were defined by the Management Board and the Supervisory Board in OeKB CSD.

The Management Board is in charge of staffing the key personnel. Each person nominated for such a position has to pass a corresponding fit & proper assessment. The Supervisory Board shall be notified of any appointment to a key personnel.

OeKB CSD's key personnel are entitled at their own discretion to report to the Supervisory Board and its committees as well as to the Management Board on individual matters relating to the function at any time.

5.1.1 Chief Risk Officer (CRO)

The tasks of the CRO are defined in the risk policy and risk strategy (*Risikopolitik und Risikostrategie*). According to that the CRO is responsible for putting a risk management system (RMS) in place that corresponds to the regulatory requirements and which is suited to identify, measure, control and manage all risks relevant to OeKB CSD.

He provides support to the Management Board in determining the risk policy and risk strategy, prepares the quarterly risk reports and participates in the meetings of the Risk Committee of the Supervisory Board in order to report to it, pursuant to Article 39d para. 3 BWG.

The organisation of the risk management is defined in the risk policy and risk strategy (*Risikopolitik und Risikostrategie*) and complies with the requirements of the Three-Lines-of-Defence-Model:

- The first line of defence is the operational management. Part of the operational management are the Managing Directors, the team leaders of the operational units as well as the CTO and CCO. Problems are evaluated, monitored and, if necessary, solved.
- The second line of defence ensures the efficiency of the first line by e.g., preparation of guidelines and procedure models and monitoring and supporting the first line. Furthermore, all risks of OeKB CSD are reported within this line of defence.
- The third line of defence is the Internal Audit as independent body that monitors the risk management of OeKB CSD from an independent objective view and evaluates the efficiency, internal control mechanisms and the performance of the first two lines.

OeKB CSD's Risk Management Committee (RMC) is headed by the CRO and – based on the risk reports, risk policy and risk strategy – prepares appropriate measures and procedures in cooperation with the CRO to achieve the risk management objectives. Such measures include establishing organisational framework conditions as well as designing the reporting process and developing business processes. The RMC meets on a quarterly basis or, if required, ad hoc in extraordinary meetings.

Together with OeKB CSD's Management Board, the CRO is responsible for overseeing the implementation of the guidelines and measures suggested by the Risk Management Committee (RMC) and adopted by the Management Board.

The tasks and the organisation of the RMC are specified in the Articles of Association for OeKB CSD's Risk Management Committee (*Statuten für OeKB CSD Risikomanagement Komitee*). As there are substantial overlaps between the Risk Management and the Internal Control System (ICS), the CRO is also in charge of the ICS in OeKB CSD.

Being responsible for the ICS, the CRO coordinates any and all ICS processes of OeKB CSD, validates the areas of application, initiates reviews, identifies weaknesses and ensures that the findings are integrated in the process documentation including instructions, and that the internal controls are effective.

A detailed task description is provided in the job profile for the CRO (*Stellenprofil CRO*).

Reports of the Chief Risk Officer (CRO)

Apart from continuous communication between the Management Board and the CRO about the current risk situation, the CRO prepares the quarterly risk report of OeKB CSD on the basis of the reports on the current risk situation and the events or near-events of default or loss that have occurred as documented by the group leaders (who also perform operational risk management). This risk report shall be integrated in OeKB CSD's quarterly report to the Supervisory Board.

Furthermore, the CRO reports directly to the Risk Committee of the Supervisory Board of OeKB CSD GmbH on any and all risk issues at least once a year.

The risk management as a whole as well as the ICS and compliance with the relevant guidelines shall be monitored by the Internal Audit department, group audit and the auditor.

All documents relating to risk management can be accessed electronically by all OeKB CSD employees.

5.1.2 Chief Compliance Officer (CCO)

The tasks of the CCO are defined in the *Compliance Management System (CMS)*. According to that OeKB CSD has established a permanent and effective Compliance function working independently from other functions of OeKB CSD. It is guaranteed that the Compliance function has the necessary authority, resources and expertise and has access to all relevant data and information. The competencies granted to the Compliance function of OeKB CSD and the requirements it has to meet take account of the nature, scope and complexity of its operations as well as the nature and the range of the services and activities rendered in the course of these operations.

The CCO monitors, administers and regularly assesses the adequacy and effectiveness of the provisions introduced as well as the measures taken by OeKB CSD to prevent and remedy any compliance deficiencies, and advises the Management Board with regard to the principles, strategies and procedures it needs to define in cooperation with the Supervisory Board to ensure compliance with all statutory requirements relating to OeKB CSD, including the regulatory requirements for central securities depositories as stipulated by the CSDR and its implementing regulations.

Furthermore, the CCO advises and supports the persons responsible for OeKB CSD services and activities to comply with the legal provisions relevant to OeKB CSD, in particular with regard to the requirements of the CSDR and its implementing regulations.

The CCO regularly prepares reports on compliance with the statutory requirements by OeKB CSD and its employees and defines an effective procedure of how to deal with compliance deficiencies. The CCO provides not only information and training but is also the point of contact for all operational departments of OeKB CSD when it comes to legal questions.

In coordination with the Management Board the CCO is responsible for developing the methodology of the compliance management system, with the main task being to ensure adequate information within the entire company. All employees have a confidential information channel to the CCO. Monitoring compliance with the statutory requirements and corporate guidelines is not the CCO's task alone, but is incumbent upon all persons bearing responsibility in the company. The CCO is in charge of improving the effectiveness of monitoring and the reliability of compliance with the requirements by implementing targeted measures.

A detailed task description is provided in the job profile for the CCO (*Stellenprofil CCO*).

Reports of the Chief Compliance Officer (CCO)

The CCO shall regularly report to the Management Board on compliance activities within the company and on compliance-relevant issues from the business environment. The CCO is the main advisor to the Management Board in all matters concerning compliance.

The CCO reports to the Management Board on compliance-relevant issues within OeKB CSD on a regular basis. In addition, the CCO, as a member of the Compliance Office, shall prepare a written compliance report at least once a year and present it to the Supervisory Board. This report shall include in particular information on compliance with the CSDR and the related Commission Delegated Regulations by OeKB CSD and its employees. Beyond that, the CCO may or shall report directly to the Supervisory Board of his own accord or at the Supervisory Board's request.

5.1.3 Chief Technology Officer (CTO)

Pursuant to Article 49 of the Commission Delegated Regulation (EU) 2017/392, OeKB CSD has a Chief Technology Officer (CTO). This officer is responsible for the technical oversight and monitoring of the IT systems' operation as described in further detail below.

The CTO is responsible for controlling all IT tasks of OeKB CSD as well as for ensuring that the services are rendered by IT providers to OeKB CSD.

On top of that, the CTO of OeKB CSD is responsible for specifying the requirements for and the monitoring of the IT systems' operation by IT providers with the proviso that the operation of the IT systems

- is designed to meet the operational requirements of OeKB CSD and to manage the risks that OeKB CSD is or may be exposed to and
- conforms with the requirements stipulated by the CSDR and its implementing regulations and that they are reliable under tense market conditions and scaleable, if required, in order to process additional information.

To fulfil his tasks the CTO has all rights and resources necessary and has access to all information relevant to his tasks. When performing his core tasks the CTO is independent from other functions of OeKB CSD.

A detailed task description is provided in the job profile for the CTO (*Stellenprofil CTO*).

Reports of the Chief Technology Officer (CTO)

The CTO shall have the IT systems checked at least once a year and shall perform a corresponding assessment. In this process, particular emphasis shall be put on information security, and the measures, principles and procedures taken in this context shall be scrutinised and assessed. The CTO shall submit the results of this check and assessment to OeKB CSD's Management Board in a written, sufficiently detailed report.

Upon the Supervisory Board's request, the CTO shall report to the Supervisory Board on the observations made within the scope of technical oversight and monitoring of the IT systems operation, if necessary, he shall make recommendations regarding procedures, provisions and measures to be taken.

Furthermore, the CTO is entitled to report at his own discretion to the Supervisory Board or the Management Board on individual matters relating to the IT systems operation at any time.

5.1.4 Head of Internal Audit

The Head of the Internal Audit department is responsible for

- planning of audits;
- quality assurance and performance of audits;
- arranging special audits;
- reporting to the Management Board, Supervisory Board and Audit Committee and
- coordination with the auditor.

The key personnel of the Head of Internal Audit is filled by an OeKB employee. This employee performs his tasks on the basis of an agreement between OeKB CSD and OeKB on the provision of resources for establishing an Internal Audit department. Within OeKB, a separate organisational unit is in charge of the tasks of internal auditing pursuant to Article 42 BWG. Based on the agreement concluded with OeKB, OeKB CSD uses the option pursuant to Article 42 para. 6 BWG to make use against payment of the required staff and material resources of the group-internal organisational unit of OeKB for setting up its Internal Audit department. The agreement ensures that the ultimate responsibility, control and oversight regarding matters of internal auditing of OeKB CSD remain with OeKB CSD, if so stipulated by the requirements of the CSDR. OeKB AG provides qualified staff who – when performing their activities for OeKB CSD - report solely to OeKB CSD's Management Board and do not take any instructions from OeKB AG with respect to Internal Audit.

Beyond that, the Head of Internal Audit has unrestricted access and communicates directly with the Chairman of the Supervisory Board or the Audit Committee, even in confidential conversations without the presence of the Managing Directors.

The Internal Audit department exercises its tasks in an independent, unbiased and impartial manner within the scope of the legal requirements and is guided by professional standards.

A detailed task description is provided in the job profile for Head of Internal Audit (*Stellenprofil Leiter der Internen Revision (Internal Audit)*).

Reports of Head of Internal Audit

The Head of Internal Audit reports directly to the OeKB CSD Management Board, usually in written form. In general, the written report consists of a cover sheet, a summary and a detailed report.

Audit findings, especially critical findings, should be discussed with the responsible employee in order to give him the opportunity to comment. Such comments should be included and highlighted in the audit report.

In the context of the detailed report the main audit areas and findings are discussed in a final meeting with the Managing Directors. Within this meeting all findings, which are to be reported to the User Committee, are identified. Members of the User Committee are not provided with any information that may lead to a competitive advantage.

The Internal Audit department shall also report to the chairperson of the Supervisory Board and the Audit Committee on a quarterly basis on the audit areas and significant findings based on the audits performed. The obligation to report ad hoc to the Management Board or the Chairman of the Supervisory Board in case of extraordinary events remains unaffected. The Audit Committee is informed about the effectiveness of the company's internal control system, the internal audit system and the risk management system on a yearly basis.

At least once a year the Internal Audit has to report to the competent authority on the audit plan.

5.2 Key Personnel

According to the Fit & Proper Policy of the OeKB CI-Group the following functions are defined as key personnel in the sense of the Fit & Proper requirements:

- Team leaders of the operational units (“Board-1”)
- Anti-Money-Laundering Officer according to Article 23 para. 3 of the Financial Market Money Laundering Act (*Finanzmarkt-Geldwäschegesetz; FM-GwG*)

6 User Committee

As required by the CSDR, OeKB CSD has established a User Committee representing the interests of securities account holders and issuers. In accordance with its Rules of Procedure the User Committee shall advise the OeKB CSD Management Board in matters that are substantive for issuers and securities account holders. It consists of seven persons, four of which are nominated by the securities account holders and three by the issuers of securities held in the accounts of OeKB CSD according to procedures specified in the General Terms and Conditions. More details on the rules governing the User Committee are provided in the General Terms and Conditions of OeKB CSD.

6.1 Responsibilities

The User Committee has the following responsibilities:

- advising OeKB CSD’s Management Board in accordance with the User Committee’s Rules of Procedure;
- e.g.: fundamental operational matters of the SSS (Securities Settlement System), criteria for the acceptance of securities, requirements for securities account holders, scope of services;
- OeKB CSD’s Management Board must inform the supervisory authority if it decides not to follow a recommendation made by the User Committee.

6.2 Composition/Nomination of Members

The four securities account holders and three issuers with the largest transaction volume at OeKB CSD have the right to nominate members.

Nominated persons shall be personally reliable and shall have sufficient experience and expertise. The term of the mandate is two years.

6.3 Functioning

The User Committee exercises its work independently and without any direct influence by the CSD Management Board. Its members shall participate in the meetings in person. The activities shall be exercised in the interest of the participants in the SSS, free of own interests. The members are required to disclose any conflicts of interest.

6.4 Rules of Procedure

The User Committee's Rules of Procedure shall be adopted by the Management Board of OeKB CSD and published as an annex to the General Terms and Conditions of OeKB CSD.

7 Internal Audit

The Internal Audit department is an independent control body, established by law that reports directly to OeKB CSD's Management Board in organisational and disciplinary matters. The Internal Audit department performs continuous and comprehensive reviews of the legality, propriety and expediency of business and operations throughout OeKB CSD.

The organisational guidelines (*Geschäftsordnung der Internen Revision*) for OeKB CSD's Internal Audit department are issued by OeKB CSD's Management Board and apply to Internal Audit within the scope of its activities.

The audit activity of the Internal Audit department shall be based on the statutory provisions and the relevant annual audit plans which need to be approved by the Supervisory Board or the Audit Committee. The areas required by law shall be audited at any rate. The audit plan has to be written once a year and is brought to the attention of the Management Board and approved and adopted by the Supervisory Board or the Audit Committee.

The scope of its activity includes in particular:

- all legally prescribed audit areas;
- all operating and business activities of OeKB CSD;
- internal regulations (organisation guidelines, authority orders and work instructions).

The sole purpose of internal auditing is to ensure the preparation, realisation and maintenance of a comprehensive audit plan with the objective to review and evaluate the adequacy and effectiveness of the systems, the risk management processes, internal control mechanisms, the remuneration policy, governance arrangements and business related activities including outsourced activities.

The audit plan of the Internal Audit department is performed in a risk-oriented way using a standardised method and systematic analysis of the risk potential of all audit areas. The scope of the audit is determined on the basis of the risks and weaknesses that are already known or presumed. The frequency of audits depends mainly on the statutory requirements. Audit areas which are not covered by statutory requirements are audited at appropriate intervals depending on their risk level.

Irrespective of the audit plan, special audits may be carried out at any time. Adequate resources for special audits are set aside in the audit plan.

The Internal Audit department updates the audit map annually, where all audit areas and audit intervals are recorded. This audit map forms the basis for audit planning.

Internal Audit distinguishes between "main findings" pursuant to the Austrian Banking Act, "measures" and "recommendations". The Management Board is in charge of deciding on the implementation of measures in response to complaints. The Management Board or the competent employee shall inform the Internal Audit department on the implementation of the measures adopted.

"Measures" are separately marked in the report and recorded in the list of measures on the intranet. For all measures a responsible person and an implementation date are agreed.

The responsibility for the verification of the implementation of the measures lies with Internal Audit. The implementation of the measures adopted will be reviewed by the Internal Audit department in accordance with the agreed implementation date and included in a quarterly follow-up report.

8 Internal Control Mechanisms

The internal control system is designed to support the Management Board in a way that allows it to ensure ever improving and more effective internal checks. It includes the accounting system and all major business processes so that the economic efficiency and effectiveness of business activities, reliability of business information and adherence to guidelines and rules (CSDR and Commission Delegated Regulations pertaining to it) can be guaranteed.

OeKB CSD's Internal Control System (ICS) supports the Management Board in achieving the following management goals:

- functioning and efficiency of business processes;
- reliability of business information;
- protection of assets and compliance with the rules.

The guideline for the Internal Control System (ICS) (*Richtlinie für das Interne Kontrollsystem (IKS)*) defines a set of rules and measures to achieve these objectives and to ensure that the ICS

- is complete;
- is logical and understandable;
- is set up efficiently;
- is actually followed in practice;
- is integrated in existing risk management systems.

To achieve these goals, the ICS encompasses the principles, procedures and measures (rules) introduced

- for ensuring the effectiveness and efficiency of the business activities (this also comprises the protection of assets, including the prevention and detection of misappropriation of assets);
- regarding the propriety and reliability of internal and external accounting as well as
- on compliance with the legal provisions relevant for the company (CSDR and Commission Delegated Regulations pertaining to it).

The person responsible for ICS coordinates the ICS processes in their entirety, validates the areas of application, initiates reviews, identifies weaknesses and ensures that the findings are integrated in the process documentation including instructions and that the internal checks are effective. As there are overlaps in the responsibilities of risk management and the ICS, the CRO is also in charge of ICS within OeKB CSD. Adequate internal control mechanisms are in place (four-eye principle, approval and authorisation systems, separation of tasks and functions, and physical access restrictions).

Detailed information is provided in the Guideline for the Internal Control System (ICS) (*Richtlinie für das Interne Kontrollsystem (IKS)*).

9 Independent Audits

9.1 External Audit

As OeKB CSD is a medium-sized corporation within the meaning of Article 221 UGB, it is required to have an external audit pursuant to Article 268 UGB.

Based on the proposal of the Audit Committee established, the Supervisory Board submits a proposal to the General Meeting for the election of the auditor. Immediately after the General Meeting has elected the auditor, the fee of the auditor and any other significant parameters of his being commissioned to perform the audit are determined by the Supervisory Board by resolution, and based thereon the auditor will be commissioned by the Supervisory Board to carry out the audit. The chairman of the Supervisory Board or, in his absence, his deputy, shall be responsible for this procedure.

9.2 Other Independent Audits

OeKB CSD performs regular checks as to the soundness of its rules, procedures and contractual obligations. If necessary, independent legal opinions are obtained for the purpose of this analysis.

Wherever required by the regulations of the CSDR, independent audits are carried out.

The remuneration policy is subject to an annual review performed by the Remuneration Committee. The results of this review are made available to the competent authority.

10 Whistle-blowing System

Employees reporting any indications of misconduct represent an effective means of identifying and preventing it in the future. Pursuant to Article 65 para. 3 CSDR, Article 7 para. 1 of the CSD Enforcement Act (Zentralverwahrervollzugsgesetz; ZvVG), Article 99g para. 1 of the Austrian Banking Act (Bankwesengesetz; BWG) and Article 48h 159 para. 1 of the Stock Exchange Act (Börsegesetz; BörseG), OeKB CSD has therefore implemented a whistle-blowing system, allowing each employee to report any breach or suspected breach of legal regulations as well as of internal guidelines.

If circumstances allow it, whistleblowers are encouraged to report potential cases of misconduct to their immediate superiors or to those responsible for the issues concerned. Reports can also be addressed to the Chief Compliance Officer (CCO).

Alternatively, employees can contact the External Legal Counsel. The role of the External Legal Counsel is limited to that of a communication interface in which the reported issue will be forwarded confidentially and anonymously to the Management Board of OeKB CSD.

If one of the Managing Directors is affected, the External Legal Counsel forwards the reported issue to the other Managing Director of OeKB CSD not affected. If both Managing Directors are affected by the reported issue, the External Legal Counsel must forward the issue to the Chairman of the Supervisory Board.

Whistleblowers shall not suffer any disadvantages, provided that the information they reported was given to the best of their knowledge and belief.

In addition to the whistle-blowing system there are other authorities to which reports can be filed, such as the Financial Market Authority or the public prosecutor's office.

11 Complaint Mechanism

Feedback on services and service quality is important to OeKB CSD in order to continue working successfully. Pursuant to Article 32 CSDR and Article 39e BWG, OeKB CSD has, in addition to existing contact and feedback options, established a transparent and adequate procedure for processing complaints received from customers and business partners.

The aim is to identify, analyse and remedy any recurring legal or operational risks and to keep up the customers' satisfaction as much as possible. OeKB CSD follows the guidelines for handling customer complaints in the securities (ESMA) and banking (EBA) sectors of the Joint Committee.

In most cases it is possible to resolve any issues in direct consultation with the responsible relationship manager. Therefore, the first point of contact is the relationship manager (Relationship Management). However, each complainant is free to contact the Complaints Office which has been set up for initial contact.

The Complaints Office serves as neutral department. With its establishment, the opportunity was created to address concerns also to a "neutral entity", i.e. someone not directly involved in day-to-day operations.

Generally, complaints can be made by telephone, e-mail or post. In addition, complaints to the Complaints Office can also be submitted via the feedback form on the website of OeKB CSD.

Alternatively, customers of OeKB CSD can also address their complaints to the Joint Conciliation Board of the Austrian Banking Industry (*Gemeinsame Schlichtungsstelle der Österreichischen Kreditwirtschaft*).

12 Outsourcing of Services

In line with the corporate strategy (*Unternehmensstrategie*), the comprehensive and targeted outsourcing of services, in spite of the considerable regulatory requirements laid down by the CSDR and BWG, provides for comparatively low overheads of slightly more than 40% of human resources for positions in senior management, staff units, IT and administration departments in the company. Approximately 70% of the administrative effort account for outsourcing of services, only about 30% for staff costs.

All services that are not directly related to the company's own rendering of services are subject to outsourcing. In this context, OeKB CSD ensures the following:

- it retains the expertise and resources necessary for evaluating the quality of the outsourced services and the reliability of the service providers, for supervising the service providers effectively and for managing the risks associated with the outsourcing of services on an ongoing basis.
- OeKB CSD's responsibility is not delegated to the respective service provider by such agreements; rather, the legal relations of OeKB CSD with the participants in its Securities Settlement System (SSS) and the issuers remain unaltered, and OeKB CSD remains responsible to them for rendering its services.
- the agreements with the service providers ensure that OeKB CSD always has those means of monitoring and control at hand that are required for prudent and reliable risk and quality management.
- OeKB CSD's rights and obligations are laid down in writing in the agreements with the service providers. They ensure that the outsourced services are permanently and consistently available to OeKB CSD to the respective extent required and that OeKB CSD can terminate these agreements without exception.
- outsourcing of services does not prevent the exercise of supervisory and oversight functions, as on-site access of supervisory authorities in particular is granted in the agreements to the largest possible extent.

OeKB CSD's Outsourcing Guideline (*Richtlinie zum Outsourcing und Einkauf von Leistungen*) stipulates that OeKB CSD is not permitted to outsource any of the three core services pursuant to Section A of the CSDR.

For the outsourcing of non-IT services, the conditions of OeKB CSD for outsourcing of non-IT services shall apply (*Bedingungen der OeKB CSD für den Einkauf von Nicht IT- Leistungen*).

IT services are outsourced on the basis of OeKB CSD's IT Governance (*IT Governance*) pursuant to the IT Outsourcing Guideline (*IT Outsourcing Richtlinie*) of OeKB CSD.

13 Record Keeping

Records are stored (archiving) in accordance with the Record Keeping Guideline (*Richtlinie für die Aufbewahrung von Daten und Dokumenten*). Thus, OeKB CSD ensures the long-term and timely storage of data and data carriers as well as their availability until expiry of a predefined retention period while maintaining their confidentiality and integrity pursuant to Article 29 CSDR.

14 Publication

OeKB CSD provides the following publicly available information on its website:

1. Information on its ownership structure, on its rules on corporate governance, also pertaining to its organisational structure and the core objectives and strategies, the key elements of the remuneration policy as well as fundamental financial information, including the most recent audited financial statements;
2. The rules of corporate governance and control including the regulations applicable to OeKB CSD in its area of business;
3. Information on significant modifications to its rules on corporate governance, its objectives, strategies, key principles and amendments to its applicable rules and procedures;
4. Customer information on securities account segregation;
5. Information on insolvency procedures of OeKB CSD;
6. General information for customers about potential risks associated with the services of OeKB CSD.

15 Business Ethics

15.1 Code of Conduct

The rules of conduct as described in the Code of Conduct of OeKB CSD (CoC) (*Code of Conduct der OeKB CSD*) provide an overview of the standards based on which OeKB CSD employees act and operate in different markets in various countries and regions and under changing conditions.

The Code of Conduct supports autonomous action and promotes an open working atmosphere characterised by respect and responsibility. It documents the manner in which the company interacts with employees, customers, suppliers and all other stakeholders and provides guidance for conduct in daily business.

Details that may be required are regulated in separate documents and are maintained by those responsible for the respective topics or other competent persons.

The CoC applies to all OeKB CSD employees who are personally responsible for adhering to it within their sphere of influence as well as to the members of the Management Board.

In case of a violation of the rules and requirements laid down in the Code of Conduct, every employee shall – irrespective of potential legal sanctions and subsequent legal consequences – be aware that they may have to face disciplinary consequences and/or consequences under civil service law.

15.2 Conflicts of Interest and Preventing Corruption

Even though OeKB CSD's employees are not officeholders within the meaning of Article 74 of the Austrian Penal Code (*Strafgesetzbuch; StGB*), it seems appropriate, based on its central position on the Austrian capital market, that its employees comply with the more stringent provisions of criminal law on corruption, which is applicable to officeholders.

Conflicts of interest are situations where the interests of employees may run contrary to OeKB CSD's interests and those of its customers or business partners. Conflicts of interest may arise from operational, organisational or ethical circumstances or be due to close personal relationships between employees and business partners or their representatives.

The Guideline on Conflicts of Interest and Corruption Prevention (*Richtlinie zu Interessenkonflikten und Korruptionsprävention*) provides detailed provisions and information on conflicts of interest.

Accordingly, employees holding responsible positions, for instance, who are engaged in business matters involving customers and business partners of OeKB CSD (e.g. senior executives, holders of power of attorney, agents, customer relationship officers) are allowed to have private orders exercised by customers and business partners they are in charge of, only if it is not to their personal advantage. The respective employees of OeKB CSD are permitted to have such business relations only under conditions customary elsewhere (customary in the market).

Any existing and potential conflicts of interest, particularly due to personal relationships, must – in the employee's own interest – be reported to the CCO or to the Managing Director. As far as allowed by law, necessary arrangements in the individual case to ensure that the conflicts of interest reported have no adverse effects on the employee and on business activities of OeKB CSD will be made.

As regards personal relationships at the workplace, employees must not be in a supervising, subordinate or monitoring position vis-à-vis the person they are closely associated with.

15.3 Insider Rules

OeKB CSD's employees have access to inside information within the scope of banking operations (Market Abuse Regulation Article 7 [MAR]). Any inside information must not be used with the intent to gain pecuniary benefit for oneself or a third party, be it by acquisition or disposal or recommendation of securities or by passing on information to third parties (MAR Article 8).

Any abuse in this respect will have consequences under criminal law and civil service law.

All employees must - in addition to the statutory provisions - also adhere to the OeKB CSD compliance rules as defined in the Guideline on Compliance pursuant to the Securities Supervision Act (*Wertpapieraufsichtsgesetz; WAG*), SCC and MAR (*Richtlinie der OeKB CSD zur WP-Compliance von MA-Geschäften*).

15.4 Diversity, Communication Policy

In terms of remuneration policy, great emphasis is put on gender equality. A person's sex has no influence on the individual career moves. Equal pay for equal work is a matter of course. The assessment of employees is based solely on professional and personal skills.

On the Supervisory Board, the Management Board and in the key positions, both men and women shall be represented with at least 40% each in total (cumulatively).

The communication policy is aimed at building and reinforcing trust between OeKB CSD and the stakeholders and at contributing to an understanding of OeKB CSD's tasks and positions.

