



POLICY FOR VERIFICATION AND SELECTION OF MEMBERS OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND KEY FUNCTION HOLDERS

§ 1

This Policy sets out the rules for verification and selection of members of the Management Board, the Supervisory Board, and the Key Function Holders of X-Trade Brokers Dom Maklerski S.A., and has been prepared in the performance of the obligations arising from the Regulation of the Minister of Finance of 29 May 2018 on detailed technical and organisational conditions for investment firms, banks referred to in Article 70(2) of the Act on trading in financial instruments and custodian banks (the “Regulation”), and Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile Text with EEA relevance (the “EU Regulation”).

§ 2

When used in this Policy the following expressions shall have the following meaning:

1. **Key Function Holder** – a staff member whose professional activity has a material impact on the Company’s risk profile;
2. **Authority** – the Financial Supervision Authority [*Polish: Komisja Nadzoru Finansowego*];
3. **Policy** – this Policy for verification and selection of members of the Management Board and the Supervisory Board of X-Trade Brokers Dom Maklerski S.A.;
4. **Supervisory Board** – the supervisory board of the Company;
5. **Company** – X-Trade Brokers Dom Maklerski S.A.;
6. **Act** – the Act of 29 July 2005 on trading in financial instruments (Journal of Laws [*Polish: Dz.U.*] 2005 No. 183 item 1538 as amended);
7. **General Meeting** – the general meeting of the Company;
8. **Management Board** – the management board of the Company.

§ 3

This Policy is designed to guarantee selection of relevant persons to hold offices in the Management Board of the Company and the Supervisory Board of the Company and Key Function Holders, taking into account the criterion of suitability and in the performance of the obligation set out in the Regulation, the Act and the EU Regulation.

§ 4

1. The Company carries out assessment of suitability in respect of Members of the Management Board, Members of the Supervisory Board, and Key Function Holders. Furthermore, the Company carries out assessment of suitability in respect of the Management Board and the Supervisory Board acting collectively.
2. The assessment of suitability is carried out in particular in a situation where:
 - a) new Members of the Management Board or of the Supervisory Board are to be appointed, or a new Key Function Holder is to be appointed;
 - b) requirements regarding the given office of a Member of the Management Board, a Member of the Supervisory Board, or a Key Function Holder, have changed;
 - c) a Member of the Management Board, a Member of the Supervisory Board, or a Key Function Holder is to be assigned a new function;
 - d) there are justified fears that the given Member of the Management Board, the given Member of the Supervisory Board, or the given Key Function Holder, or the Management Board or the Supervisory Board as collective bodies, do not meet the suitability requirement.

§ 5

1. The assessment of suitability takes into account requirements regarding the following:
 - a) professional qualifications, namely: knowledge, experience, and skills necessary for effective, correct and prudent management of the Company, including risk management, taking into account the scope, scale and complexity of the business conducted;
 - b) reputation, including information about consequences of incidents, criminal and administrative proceedings, activities which could have an adverse impact on managing the Company, and good repute regarding the offices held;
 - c) other criteria regarding management, including but not limited to:
 - i. potential conflicts of interest;

- ii. conducting competitive activities;
- d) ability to devote sufficient time to the Company;
- e) independent judgement;
- f) restrictions regarding the number of offices held by a candidate member of the management board or a candidate member of the supervisory board in other enterprises, namely a Member of the Management Board must not hold simultaneously more than one office of a member of a management board or two offices of a member of supervisory boards, and a Member of the Supervisory Board must not hold simultaneously more than four offices of a member of supervisory boards or one office of a member of a management board and one office of a member of a supervisory board.

§ 6

1. While assessing the suitability, also other financial and non-financial factors regarding the candidate are taken into account, including those publically available, which may affect his/her performance of his/her duties.
2. In particular it should be taken into account whether:
 - a) the person under assessment conducts business activity or maintains or has maintained during the last 2 years, business relationships with any of persons or institutions listed in Article 4(a)(ix) of the EU Regulation, or whether he/she is engaged in legal proceedings with any of such persons or institutions;
 - b) the person under assessment or his/her relatives by blood in direct line, siblings or relatives by affinity have any interest which is in conflict with the interest of the Company, its parent undertaking or subsidiaries;
 - c) the person under assessment had been or is to be appointed a representative of one of the shareholders in the Company;
 - d) the person under assessment has any financial liabilities towards the Company, its parent undertaking or subsidiaries;
 - e) the person under assessment holds or has held during the last 2 years any political function which may have an impact on or significance for the business activity conducted by the Company.

§ 7

In order to carry out the assessment of suitability, the Company is obliged to collect and verify the following documents:

- a. a certified copy of an identity document containing at least the name, surname, date and place of birth, and image;
- b. curriculum vitae, documents confirming the education, qualifications and professional experience, as well as a statement regarding the current residence address;
- c. extract from the National Criminal Register [*Polish: Krajowy Rejestr Karny*] no older than 3 months on the date of assessment, and in case of persons whose place of residence during the last 10 years preceding that date was outside the Republic of Poland – issued by the National Criminal Register and by competent authorities of the countries where such persons had their place of residence during the period of 10 years preceding the date of assessment;
- d. statement about administrative and disciplinary proceedings ended with punishment;
- e. statement about completed court proceedings in commercial cases, proceedings regarding liquidation, bankruptcy, liquidation of the bankrupt's estate, or reorganisation proceedings [*Polish: postępowanie naprawcze*], as well as information about completed proceedings regarding liquidation, bankruptcy, liquidation of the bankrupt's estate, or reorganisation proceedings conducted against an entity in which the person holds or held an office in a managing or supervisory and controlling body;
- f. statement regarding the following proceedings pending:
 - i. criminal proceedings regarding an intentional offence, except for offences prosecuted at the injured's request, or proceedings in cases regarding a fiscal offence, including those relating to liability referred to in legal provisions regarding collective entities' liability for acts prohibited under penalty,
 - ii. disciplinary and administrative proceedings against such a person for imposing a penalty or another administrative sanction,
 - iii. court proceedings in commercial cases against such a person, proceedings regarding liquidation, bankruptcy, liquidation of the bankrupt's estate, or restructuring proceedings, as well as proceedings regarding liquidation, bankruptcy, liquidation of the bankrupt's estate or restructuring proceedings conducted against an entity in which the person under assessment holds or held an office in a managing or supervisory and controlling body;
- g. a statement regarding events of refusal or withdrawal of any permit or consent in respect of the conducted or planned activity or in respect of holding functions on the financial market, with quoting the reasons;
- h. a statement regarding events of termination, by the employer's or the principal's initiative, of employment in any form with an institution conducting activity on the financial market, with quoting the reasons;

- i. a certificate from competent tax authorities confirming that there are no tax arrears or specifying the amount of tax arrears and a certificate issued by a competent social insurance institution confirming that there are no arrears in payment of social insurance contributions, or a statement where it is not possible to receive such a certificate;
- j. a statement containing business names of companies and partnerships in which the person was a member of administrative, management or supervisory bodies, a commercial attorney [*Polish: prokurent*] or a partner or a shareholder;
- k. a statement containing names of organisations whose main objectives are not for-profit objectives, and in which the person was or is a member of administrative, management or supervisory bodies, or a commercial attorney;
- l. statement about other offices held, at the date of assessment, with other entities or professional activity conducted, which are material given the engagement in terms of time spent;
- m. description of the nature of duties performed in respect of the offices referred to in subparagraphs (j)-(l);
- n. extract from the register of business activities or from another respective register confirming the conducting of business activity;
- o. undertaking to spend specific amount of time for the fulfilment of tasks related to the function held with the brokerage house and a statement that in case of increased activity of the brokerage house the person will be able to devote additional time to fulfil his/her duties within the scope of the function held in accordance with applicable laws.

§ 8

1. A person to hold or holding the office of a Member of the Management Board meets the requirement to have specialised knowledge if he/she:
 - a) has education in at least one field of knowledge referred to in § 70 of the Act or is registered on the list of investment advisors or securities brokers;
 - b) demonstrates detailed knowledge of issues related to the scope of duties to be performed by that person;
 - c) demonstrates understanding of the rules and activity conducted by the brokerage house and the related risks.
2. A person to hold or holding the office of a Member of the Supervisory Board meets the requirement to have specialised knowledge if he/she:
 - a) has education in at least one field of knowledge referred to in § 70 of the Act or is registered on the list of investment advisors or securities brokers;

- b) understands the rules and activity conducted by the brokerage house and the related risks, to the extent allowing to perform the supervisory actions effectively.

§ 9

1. Within the scope of the assessment of suitability, the Company verifies the good repute of the person to hold or holding the office of a Member of the Management Board, a Member of the Supervisory Board or to be or being a Key Function Holder.
2. A person referred to in paragraph 1 above meets the requirement to have the good repute in a situation where:
 - a) has not been declared by a final and valid decision to be guilty of commitment of offences referred to in Article 82(1)(2) of the Act and has not been punished in administrative mode by a competent supervisory authority for a breach of legal provisions referred to in that provision;
 - b) has not conducted himself/herself in a manner grossly contrary to moral, ethical and legal standards, which could affect the confidence in that person as a Member of the Management Board or a Member of the Supervisory Board.

§ 10

1. The suitability of the person to hold or holding the office of a Member of the Management Board, a Member of the Supervisory Board, or to be or being a Key Function Holder, includes the independence of his/her judgement.
2. Independence of judgement in case of a person to hold or holding the office of a Member of the Management Board means, but is not limited to, independence in such person's making and carrying out decisions.
3. Independence of judgement in case of a person to hold or holding the office of a Member of the Supervisory Board means, but is not limited to, independence in assessment of decisions made by the Management Board.
4. Determining, based on relevant legal provisions or based on good practice, that a person to hold or holding an office of a Member of the Supervisory Board is independent is not equivalent to determining independent judgement of such a Member of the Supervisory Board.
5. While assessing the independence of judgment of a person to hold or holding the office of a Member of the Management Board or a Member of the Supervisory Board, to be or being a Key Function Holder, in particular conflict of interest should be taken into account.

§ 11

1. The Company is obliged to ensure that the requirement regarding the number of offices of a member of a management board or of a supervisory board held is met on a continuous basis.
2. The Company is obliged to review, as the need arises, but no less than annually, the number of offices that may be held simultaneously by a Member of the Management Board or a Member of the Supervisory Board.
3. In order to perform the obligation referred to in paragraph 2 above, the Company is obliged to obtain from the Member of the Management Board or the Member of the Supervisory Board necessary documents and information in order to determine the number of offices held simultaneously by such a person.

§ 12

1. Within the scope of assessment of suitability of the Management Board of the Company as a collective body, the following shall be assessed the Management Board's ability to make decisions taking into account:
 - a) the Company's business model;
 - b) the level of risk appetite;
 - c) the Company's operation strategy, and;
 - d) the market environment in which the Company operates.
2. With the scope of suitability of the Supervisory Board of the Company as a collective body, the Supervisory Board's ability to analyse and assess the decision made by the Management Board of the Company is assessed.
3. The Management Board of the Company as a whole and the Supervisory Board of the Company as a whole should have knowledge at least on the following:
 - a) material areas of the business activity conducted by the Company and related major risks;
 - b) accountancy and financial reporting;
 - c) risk management;
 - d) legal compliance of the Company's activities and internal audit;
 - e) information technology and security;
 - f) local, regional or global markets – as applicable;
 - g) regulatory environment;
 - h) strategic planning;

- i) managing the Company or the organisation;
- j) managing domestic or international groups of companies and risk factors involved in the structure of such groups – where applicable.

§ 13

1. Members of the Management Board, Members of the Supervisory Board, and Key Function Holders should identify and report to the Company any and all circumstances which may give rise to conflict of interest and pose threat to their independent judgement.
2. Members of the Management Board and Members of the Supervisory Board should refrain from voting or should be excluded from a meeting of the Management Board or of the Supervisory Board respectively in issues in which they are affected by conflict of interest.
3. Key Function Holders should identify and report to the Company any and all circumstances which may give rise to conflict of interest.

§ 14

The Company shall inform the Authority immediately about an identified conflict of interest which may affect the independence of judgement of a Member of the Management Board, a Member of the Supervisory Board, or a Key Function Holder.

§ 15

1. The Company shall inform the Authority immediately if, as a result of the assessment of suitability, a Member of the Management Board, a Member of the Supervisory Board, a Key Function Holder, or any of those bodies acting collectively, is found to have ceased to meet the suitability requirement.
2. The Company should enclose with the information about the assessment outcome a description of actions planned to achieve compliance with the suitability requirement.
3. The Company shall also immediately inform about the outcome of the assessment as referred to in paragraph 2 above the Member of the Management Board, the Member of the Supervisory Board or the Key Function Holder involved.

§ 16

1. The assessment of suitability relating to a person to hold an office of the President of the Management Board or a Member of the Management Board responsible for risk management

shall be carried out by the Supervisory Board, before a request for consent as referred to in Article 102a(1) of the Act is filed with the Authority.

2. While carrying out the assessment as referred to in paragraph 1 above, the Supervisory Board shall carry out the assessment of suitability in respect of the Management Board as a collective body, taking into account the membership of such a person in the Management Board.

§ 17

Members of the Management Board, Members of the Supervisory Board, or Key Function Holders are obliged to report to the Company a change in any circumstances covered by this Policy.

§ 18

In issues not governed by this Policy, generally applicable provisions of law and internal regulations of the Company shall apply.