CaixaBank Wealth Management Luxembourg S.A.

Policy on Safeguarding of Client's Financial instruments and Funds

(POL-LUX-033)

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TABLE OF CONTENTS

1. INTRODUCTION

The protection of Client's financial instruments and funds is an important part of the MiFID regime.

In the framework of the provision of investment services to its clients, CaixaBank Wealth Management Luxembourg S.A. (hereafter the "**Bank**" or "**CWML**") is authorized for the receipt and administration of funds and financial instruments owned by its clients. In accordance with the Applicable Regulations, as mentioned in Annex I of this Policy, the Bank is committed to ensuring that the funds and financial instruments owned by its clients are properly segregated and have an optimal level of protection in accordance with the legal framework in place.

In this regard, the Bank has made adequate arrangements to safeguard investor's ownership and rights in respect of securities and funds entrusted to the Bank. The present Policy aims to describe the main measures adopted by the Bank to ensure the protection of the property rights of the assets received from its clients, thus avoiding any improper use of them.

2. DISTRIBUTION, APPROVAL AND REVIEW

This Policy must be approved by the CWML's Board of Directors within the scope of its statutory authority to approve CWML's general policies and strategies, and, in particular, the policy for controlling and managing risks.

CWML's Authorized Management shall promote the dissemination and implementation of the Policy, ensuring that it is observed, understood and fulfilled and that it is implemented, evaluated and reviewed. It shall also ensure that there are efficient information systems that confirm the members of staff to whom the Policy is applicable are aware of their duties in relation to compliance therewith.

The Operations Department will be responsible for yearly revising the content of this Policy, while the Compliance Department acts as second line of defense in this regard.

The main causes that can confirm a modification or update task are identified below:

- Changes in management approach or processes;
- Business Changes on the business objectives or strategies;
- Process or procedure modification;
- Amendments or update to regulatory framework;
- Changes deriving from the results obtained during follow-up and control activities;
- New policies or amendments to existing ones;

3. GENERAL PRINCIPLES FOR SAFEGUARDING CLIENTS' FINANCIAL INSTRUMENTS

As stipulated in the Applicable Regulations, the Bank has to adopt suitable measures to protect its clients' property rights, in particular if the Bank becomes insolvent, and to regulate, when necessary, the use of clients' financial instruments on their own behalf.

3.1. Distinction between own assets and those belonging to clients

The Bank has designed a structure for securities accounts so that its own financial instruments can differ from its clients' financial instruments and, among these, for purpose of identifying the assets owned by each of them.

On the domestic and international markets, the Bank makes use of **Euroclear Bank S.A.**, **Cecabank S.A.**, and **Allfunds Bank S.A.U. Luxembourg Branch**, as sub-custodians for securities, Collective Investment Schemes (CIS) clearing and custody services. Its account structure in such Sub-Custodians is as follows:

- Its own account and third parties' accounts.

Sub-Custodians that are not direct members of the Central Securities Depositary in the market where they render services may in turn require a third-party Sub-Custodian for the custody and settlement of the securities.

As an exception, the Bank may need to use other Sub-Custodians, for the custody of securities from merger or acquisition transactions of other institutions or specific products not accepted by current Custodians. This takes place when these securities are blocked by the market or are not accepted by the Sub-Custodians used by the Bank.

3.2. Account reconciliation

The Bank keeps the required records so that at any time it can immediately (without delay and at any time) distinguish between the assets belonging to a client and those of other clients, as well as from the assets belonging to the Bank itself.

Similarly, the internal records and accounts guarantee the accuracy of the data they contain and that they correspond to the financial instruments belonging to the clients. For such purpose, The Bank conducts the reconciliation processes described below, both for Domestic and International markets:

- Fixed-Income and equities instruments: The Bank conducts a reconciliation process of the balances held with the Sub-Custodians, at least on a weekly basis.

- Derivative financial instruments contracted on organised markets: in case the Bank would be involved with Derivative financial instruments, it would conduct, on a daily basis, a reconciliation process of the balances in the accounts held with the Sub-

Custodians. The Sub-Custodians should then provide custody and settlement services to the Bank by virtue of an agreement.

- Foreign collective investment institutions ("**Foreign CISs**"): at least on a weekly basis, the Bank conducts a reconciliation process of the balances held in **Allfunds Bank S.A.U. Luxembourg Branch**. **Allfunds Bank S.A.U. Luxembourg Branch** provides custody and settlement services to the Bank by virtue of an agreement.

Any discrepancies detected in the reconciliation processes are analyzed and managed for resolution.

In addition to the reconciliation processes described above, the Bank also conducts regular audits through its Internal Audit Department. The External Auditor includes these reconciliation processes as part of its review.

3.3. Appointment of a responsible for the Compliance with the safeguarding obligations

The Bank has to appoint a single specific person with adequate skills and knowledge as the responsible for the compliance of safeguarding arrangements and principles over clients' financial instruments and funds. This appointed person is the Chief Compliance Officer, while the practical implementation shall be performed by the Director of the Operations Department. In addition, the Chief Compliance Officer shall ensure the compliance of the practical implementation with this Policy.

4. SUB-DEPOSITS ARRANGEMENTS

The Applicable Regulations allow investment companies to deposit the financial instruments they hold on behalf of their clients in accounts open with a third party, providing the companies act with due competence, care and diligence when selecting, appointing and regularly auditing such third party.

The Bank's system for deposits and sub-deposits is as follows, for both domestic and international markets.

The Bank uses Global and/or Local Sub-Custodians to carry out settlement and custody on the different international markets where its clients carry out their transactions.

The Bank has designed a procedure that details the criteria used for selecting, appointing and auditing Sub-Custodian institutions to ensure they comply with the market requirements and practices regarding holding assets on the different markets that they cover.

The Bank considers several aspects in order to select Sub-Custodians. Aspects such market experience and prestige of the Sub-Custodians selected, their rating, the market coverage by their securities settlement and custody business, the institution's specialisation within the field of securities and other aspects such as the quality of the information used to monitor the activity and the frequency and access to the positions that are held from time to time.

REQUIREMENTS FOR SOLVENCY AND MARKET PRESENCE	
Credit rating	The solvency ratings assigned by the main international rating agencies (Standard & Poor's, Fitch and Moody's) are checked, which must meet the CWML's minimum requirements.
Market coverage and instruments for settlement and custody	Coverage of settlement and custody services is taken into account for the required markets and instruments.
Criteria for selection and auditing of the local Sub-Custodian network	The procedure for selecting and auditing the institutions acting as local Sub-Custodians is taken into account.
Prestige, expertise and specialization	The Bank only works with institutions with recognized prestige.
Fees	Competitive fees are required that are in line with those of similar institutions.
OPERATIONAL REQUIREMENTS	
Operational Services and Support and Communication Systems	The reliability of the operational procedures, the level of automatic service, quality of information and support response are taken into consideration.

The sub-custodians that shall be appointed must have recognized prestige, expertise and solvency at a worldwide level to perform these activities.

The Bank has requested the services of sub-custodians located in countries in the European Union that have specific regulations and supervision for the holding and custody of financial instruments; the Sub-Custodians are subject to such regulations and supervision.

In the case of instruments issued in Non-Member States of the European Union, the appointed Sub-Custodians may in turn require the use of local Sub-Custodians or central depositories subject to the regulations and supervision of these States that are not members of the European Union. In such case, clients should be aware that their rights for such instruments could vary from those applicable if they were subject to the laws of a Member State.

Likewise, the Bank also assesses compliance by the institutions rendering clearance and settlement services for foreign derivative instruments with the applicable Requirements for Solvency and Market Presence (credit rating, market coverage, prestige, experience, specialization and fees) and that they meet the operational requirements.

The accounts opened in these institutions are global (also known as **omnibus**). Therefore, and as specified in the Bank's General Terms & Conditions, should the Sub-Custodian become insolvent (along with the relevant insolvency procedures being filed and/or administrators or receivers being appointed) the operational system described may also involve, as the case may be, temporary restriction of availability, impairment in value or even loss of the client's financial instruments or the rights derived from these financial instruments.

Due to the aforementioned legal risks, the following specific situations may arise:

- Delays in executing the orders that involve moving the assets deposited;
- Partial losses of the securities deposited or in the event the assets effectively held by the Sub-Custodian are insufficient to cover the clients' claims or the Sub-Custodian is involved in bankruptcy proceedings.

In any case, the Bank may only deposit its clients' financial instruments with a third party domiciled in a country that is not subject to regulations and supervision for the custody of financial instruments on behalf of other persons, in the following cases:

- Due to the nature of financial instruments or services related to these instruments;
- When the financial instruments belong to a professional client or an Eligible Counterparty and the latter makes a written request to the Bank for them to be deposited with a third party in such country.

4.1. Operational processes

The Bank uses real-time connection mechanisms for communication with its Sub-Custodians so that it can immediately and continually obtain information about the accounts, in particular regarding the assets in custody, settlement transactions and corporate events taking place related to the clients' positions.

The reconciliation processes have been explained in the previous section ("Account Reconciliation"; Section 3.2 of this Policy).

4.2. Outsourcing Arrangements

According to the Bank's structure used for the custody of securities, it can be concluded that The Bank does not currently have any outsourcing agreements, for the following reasons:

- On Domestic & International Markets: The Bank uses a system of international Sub-Custodians, which is considered normal market practice. This kind of support does not involve the Bank outsourcing its international securities custody and settlement duties to the different Sub-Custodians, but instead that these institutions operate as service providers.

The Bank only outsources the administrative work related to its clearance, settlement and custody business.

5. PROTECTION OF CLIENTS' CASH

The Bank acts directly as a depositary of its client's cash accounts, as a credit institution granted official administrative authorisation by the CSSF as an authorised institution pursuant Directive 2013/36/EU of 26 June 2013.

Cash received from clients is deposited on an account opened at a custody entity such as a central bank, a credit entity, an authorized bank on another country or a monetary fund.

6. USE OF CLIENTS' FINANCIAL INSTRUMENTS

In compliance with the provisions of the Applicable Regulations, the Bank does not use the financial instruments it holds on behalf of its clients for financing its own business transactions.

There are currently no agreements between the Bank and its clients to carry out financing transactions using the financial instruments belonging to these clients.

Movements of financial instruments take places according to the clients' instructions or as part of mandatory corporate movements.

6.1. Controls to ensure the non-use of financial instruments

The following measures ensure the compliance with this Policy:

- Record keeping of orders and transactions (including the data given by the clients).
- Client's and the Bank's balance reconciliation, as explained in the section "Account Reconciliation" in Section 3.2 of this Policy.
- Delivery of Confirmations to clients for each movement made in their securities accounts, detailing the specific data of the transaction and its overall position.

6.2. Possible use of clients' financial instruments in the future

The Bank may only enter into securities financial agreements over its clients' financial instruments or to use them in any other way, on its own behalf or on behalf of another client providing the following requirements are met:

i. The client must have previously granted its express consent. For retail clients, such consent must be granted in a written document signed by the client or any equivalent alternative mechanism.
ii. The use of the financial instruments must be in accordance with the specific terms and conditions accepted by the client.

In addition to the above, when the client authorizes the use of financial instruments that is deposited in an omnibus account, whenever this is allowed by applicable regulations, the following requirements must be met:

i. Express prior individual consent is required from the clients whose instruments are deposited in an omnibus account.

ii. The Bank must have systems and controls to ensure that the instruments are only used if the client has granted its express consent.
iii. Record keeping, including the following information:

a. The data of the client who has given instructions for its financial instruments to be used.
b. The number of financial instruments used belonging to each client that has granted its consent (so that any possible losses can be assigned to each client).

The Bank will not enter in any case Title Transfer Financial Collateral Agreements with retail clients (hereinafter "**TTCA**"), when such financial collateral arrangements are intended to guarantee or cover actual or contingent or potential client obligations.

According to the Directive 2002/47/EC, Title Transfer Collateral Agreements is an agreement whereby the client transfers temporarily the full property of the subject matter of the financial guarantee to the Bank for the purpose of securing the principal financial obligations, including in this category the double operations and the operations with repurchase agreement. It is considered a fiduciary alienation depending on guarantee.

Only TTCAs may be entered into with clients classified as professionals or eligible counterparties, provided that the suitability of the use of the TTCAs has been considered and documented. To document the suitability of such agreement, the following factors must be considered:

i. If there is a weak relationship between the client's obligation to the Bank and the use of such agreements, and if the probability of a client's liability to the Bank is low or insignificant;
ii. If the amount of funds or the financial instruments of the client subject to Title Transfer Collateral Agreements exceeds the obligation of the client, or if there is no limit for the obligations that the clients has with the Bank; and
iii. If all financial instruments or client's funds are subject to Title Transfer Collateral Agreements, without considering the obligation that every client has with the Bank.

In case of using TTCAs, the Bank will ensure that to the professional clients and eligible counterparties are duly informed about the associated risks and the effect of any agreement of this nature with respect to the client's financial instruments and funds. In other words, these clients shall be informed about the property of the instrument (as it shall belong to the Bank), as well about the decrease to have any protections under the safeguarding provisions of MiFID 2 in relation to this instrument.

7. CONTROL FRAMEWORK

CWML promotes a risk culture that fosters the control of risk and compliance, as well as the establishment of a robust internal control framework that covers the entire organisation and that allows for fully informed decision-making about the assumed risks.
The internal control framework of CWML follows the three lines of defence model, which ensures the strict segregation of functions and the existence of several layers of independent control:
- The first line of defence will be in the operational units that effectively manage the Policy to safeguard financial instruments.

These units will be responsible for applying the internal policies and procedures involving the protection of customer assets; they will proactively introduce measures to identify, manage and mitigate risks involving the protection of financial instruments; they will establish and introduce adequate controls, and will be responsible for knowing and applying the obligations resulting from this Policy. In particular, Operations Department, shall act as the first line of defence in the process of managing the Policy to safeguard financial instruments.

- The Compliance function, as the internal control function that makes up the second line of defence, shall ensure the quality of the entire process of managing the Policy to safeguard financial instruments by reviewing the consistency between the internal policy and the public directives for the processes related to protecting customers' assets. It will also conduct specific controls and provide guidance on the design and review of the related processes, and on the controls established by the units that manage these risks.

- The internal audit function, as the third line of defence, is an independent and objective function for assurance and consultation; it is designed to add value and improve Group operations. It plays an important role in achieving the strategic objectives of CWML, providing a systematic and disciplined approach to evaluating and improving risk control and management processes and corporate governance. Internal Audit will supervise the activities of the first and second lines of defence so as to provide reasonable levels of assurance to the management committees. It will periodically check the effectiveness and efficiency of the management framework of the Policy to safeguard financial instruments, including first- and second-line controls, and the compliance with the applicable laws, the requirements of supervisory levels and the internal policies and procedures related to this risk. Based on the results of its controls, it will issue recommendations to departments, follow up to ensure they are properly implemented and, if appropriate, formulate recommendations to the management committees and propose potential improvements.

8. GENERAL INFORMATION RELATED TO THIS POLICY

The Bank provides its clients or potential clients with information about the protection of their financial instruments or funds. They are informed of the possibility for the financial instruments or funds to be deposited in a third-party company on behalf of the institution as well as the Bank's responsibility, by virtue of applicable national law, for any act or omission by such third party and the consequences for its clients if such third party is declared insolvent.

Moreover, when clients' financial instruments are deposited in an omnibus account with a third party, such clients are previously informed thereof and they are clearly warned of the related risks.

In this respect, the deposit and management agreements entered into and signed by the clients include the main aspects related to management of the financial instruments through Sub-Custodians and the Bank's guarantees for such purpose.

In the event that pursuant to the laws in the country where the client's financial instruments are deposited, the clients' financial instruments held by a third party cannot be differentiated from those owned by such third party, the Bank will notify its clients of this fact and warn them of the related risks.

The Bank will inform clients when the accounts containing their funds or financial instruments are subject to the legal system of a country that is not a member of the European Union. It will also notify its clients of the existence and conditions of any guarantee, encumbrance or compensation right held or that could be held by the Bank for its clients' financial instruments and funds.

Finally, the Bank shall publish this Policy on its website, in order to inform its clients and potential clients about their rights and the Bank's responsibility for protecting its clients' financial instruments and funds deposited in the Bank.

ANNEX I – DEFINITIONS

The following terms are used for the purposes of this Policy:

Term	Definition
Applicable Regulations	All regulations mentioned in Annex I of this Policy
CIS	Collective Investment Scheme
CWML or the Bank	Refers to CaixaBank Wealth Management Luxembourg S.A.
Delegated Regulation	Commission Delegated Regulation (EU) 2017/565
Delegated Directive	Commission Delegated Directive (EU) 2017/593
TTCA	Title Transfer Financial Collateral Agreements

ANNEX II – LEGAL FRAMEWORK

There follows a list of regulations making up the regulatory context of this Policy:

- Law of 5 April 1993 on the financial sector, as amended;
- Law of 30 May 2018 on markets in financial instruments;
    - This law has to be read in conjunction with the MiFID 2 Directive it has transposed
- Grand Ducal Regulation of 30 May 2018, on the protection of financial instruments and funds belonging to clients, product governance obligation and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
    - This Regulation has to be read in conjunction with the Delegated Directive it has transposed: Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements, as amended.

ANNEX III – VERSION HISTORY

This Policy has been previously updated as follows:

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v1.0	Operations	29 September 2020	8 October 2020
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