

# CLIENT AWARENESS POLICY

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## 1. PURPOSE

Kuylenstierna & Skog S.A. (the “Company”) is an asset manager providing a broad range of services to its clients. The Company also acts as a distributor of units in UCIs.

In order to safeguard the interests of its clients, the Company has adopted a Client Awareness Policy (the “Policy”). The Policy sets out criteria to adhere with the MiFID II provisions Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU as on CSSF Circular 22/817, and more specifically the Luxembourg law of 5 April 1993 of the financial sector (“PSF Law”).

The Policy allows the Company not only to comply with regulatory requirements, but also to promote a culture of integrity among the persons involved in the provision of its services and to apply high standards of ethical conduct in the business relationships with its clients.

The policy is applicable to all K&S employees including the Branch as well as the Authorized Management, and available on our shared drive. It is reviewed on an ad-hoc basis whenever needed. In case of updates, it is presented to the Board of Directors at the Board Meetings.

## 2. SUITABILITY AND APPROPRIATENESS TESTS

According to MiFID II Articles 24 and 25, the firm is to make suitability and appropriateness assessments. The investment services that provide the beforementioned assessments to be made are advised services, such as investment advice and portfolio management, or non-advised services (execution only), such as order execution or the primary market placement of financial instruments.

The **suitability** assessment is a process developed to ensure that investment services such as investment advisory services or portfolio management services match the client's investment objectives, financial situation and knowledge and experience, i.e., to ensure that a suitable recommendation is made to the client. K&S is to obtain necessary information from both retail and professional clients that their knowledge and experience is suitable for the investment.

The **appropriateness** assessment is a process developed to ensure that investment services without advice, i.e. execution only services, are appropriate for the client. If it is a retail client, its knowledge and experience is to be assessed when a product is deemed to be classified as complex. A professional client is already understood to have the necessary knowledge and experience to understand the risks involved in relation to the products or services for which the client has been classified as a professional client, why a specific assessment of the knowledge and experience does not have to be made.

If a client is deemed as not appropriate for the investment, a warning is to be issued in standardised format, as well as if the client has not provided enough information for the assessment to be made.

K&S has produced a Suitability test and an Appropriateness test to be filled in taking into consideration the above information. Please find the templates of the forms below.

## Suitability test Advisory

Client name: \_\_\_\_\_

Account number: \_\_\_\_\_

Client scorecard (risk base report): ☐ Low ☐ Medium ☐ High

Advised transaction (to be repeated in case of several advices)

Type of transaction: ☐ Buy ☐ Sell ☐ Hold ☐ Other

Security's name: \_\_\_\_\_

Quantity: \_\_\_\_\_

Currency: Choose an item.

Outline of the advice and how it meets the client's personal circumstances

Knowledge and experience: ☐ OK ☐ Not OK (if not OK, the transaction is stopped)

Explanation: ☐ We believe this advice meets your risk profile (personal circumstances in terms of objectives, investment horizon and capacity to bear losses)

Expected adequacy of the portfolio with the client's risk profile after the proposed transaction (s)

According to our simulation: ☐ Your portfolio will remain in line with your risk profile  
☐ Your portfolio will become more in line with your risk profile  
☐ Your portfolio will not be in line with your risk profile (in this case, the transaction is stopped)

Date and time:

Type of client contact: ☐ visit ☐ telephone ☐ email ☐ fax

Confirmation by client ☐ signature \_\_\_\_\_ ☐ sent by email

Date:

## Appropriateness test Advisory

Client name: \_\_\_\_\_

Account number: \_\_\_\_\_

Advised transaction (to be repeated in case of several advices)

Type of transaction: ☐ Buy ☐ Sell ☐ Hold ☐ Other

Security's name: \_\_\_\_\_

Quantity: \_\_\_\_\_

Currency: Choose an item.

### Outline of the advice and how it meets the client's personal circumstances

Knowledge and experience: ☐ Yes<sup>1</sup> ☐ No<sup>2</sup>

Explanation: <sup>1</sup>☐ "We have concluded before your transaction that this product / service was **appropriate** to your investor profile"

<sup>2</sup>☐ "You do not have the required knowledge and/or experience for this transaction." Abandon the order, or fill in an investor rationale

If client insists, inform and warn client: ☐ "We have warned you before the trade that this product / service was according to our information not appropriate to your investor profile, or that we had not received enough information to determine its appropriateness. However, you indicated to us that you still wanted to execute this transaction despite this warning."

Investor rationale: Add rationale \_\_\_\_\_

Date and time:

Type of client contact: ☐ visit ☐ telephone ☐ email ☐ fax

Confirmation by client ☐ signature \_\_\_\_\_ ☐ sent by email

Date:

### 3. 10% LOSS REPORTING

#### 3.1 Background and outline

According to MiFID II Article 62, the firm is to report to clients within 24 hours, when the overall value of a portfolio, as evaluated at the beginning of each reporting period, depreciates by 10% and thereafter at multiples of 10% (for each occurrence within same reporting period).

At K&S, our database CRAM ("the system") automatically makes the control and shows if a 10% loss has occurred on Nordnet Clients. The other custodian banks do process this control automatically and directly in their systems. K&S has opted for a hosting approach, an externalisation of the IT -infrastructure, and a contract between K&S and Convotis (Luxembourg) S.A. (hereafter "Convotis"), formerly known as AMS SYSTEMS PSF S.A.

**The Account Managers and/or Administration Managers/Assistants are to check in the Cram system, as soon as the daily NAV's have been injected,** if any 10% losses have occurred, and if yes, to report to the client. The Compliance Manager and in his absence the authorized management are controlling that these checks are well processed and that in case of a loss the report is sent to the client in due time. (i.e. within 24hours)

#### **Outline at K&S**

- Only active for Nordnet, other banks handled this as a service.
- Trigger report of 10% loss in portfolio value (NAV) in reporting period (quarterly)
- Daily calculation per account (Nordnet accounts only)
- Compare with NAV from last day of previous reporting period (quarter)
- NAV previous period will be adjusted by in-/out-flow before making calculation.
- A breach (10% loss) in one period will increase next trigger by 10% (10-20-30-etc)
- Screen dialog/warning for all users until verification with action and comments inputted.
- Verification, input, and control by restricted users only

#### 3.2 Warning procedure

The control is made automatically by the system daily around noon, based on the end-of-day figures for the previous banking day. The reporting period is defined to be every 3 months, each calendar quarter. The valuation will be based on the valuation provided by the banks in the daily data feed. The overall value of the portfolio at the beginning of each reporting period shall be adjusted by inflow and outflow when making the daily report.

The system will show a popup for all users if there are any outstanding loss reports. Reported breaches will remain breach and show as popup, until appropriate action has been taken for the relevant warnings.

#### 3.3 Delta setup (Administration menu) in the system

##### ***Part 1 - Configure transaction types used for inflow/outflow.***

For each type of transaction listed in the left frame, the checkboxes on the top may be set on/off; being

- in-/out-flow
- Negative

Examples from historic transaction of selected type is displayed in the right frame. The transaction types being flagged as in-/out-flow is used to adjust the NAV. The negative flag is

used when the transaction type is outflow and amount reported is in absolute value (no sign).

### ***Part 2 - Configure global setting.***

The lower part defines the

- Reporting period in month (quarterly = 3)
- Trigger percent (10%)
- Trigger step (10), next trigger after trigger percent

## **3.4 10% loss (Delta) menu in the system**

### ***Top frame***

Lists all calculations done, split by month. The view lists date of report, base date, accounts checked, accounts breached. Selecting any line will show the details for that date in the lower frame/window.

### ***The lower frame***

Lists for the selected date all accounts where loss was reported with:

- Loss in percent
- Trigger level in percent
- NAV and currency reported.
- Transfer in/out in net amount
- Base amount used for calculation.
- Comments on client advised.
- IGNORED, when data from bank had wrong NAV.

### ***Run on Date***

Re-run the 10% loss report (delta reporting) on the date selected in the list on the top.

### ***Run today***

Re-run the 10% loss report (delta reporting) with last NAV date available.

### ***Report all***

Report all 10% loss reports in the system with accounts showing breach of 10% loss, and the relevant action.

### ***List all trf.***

List all transactions inputted manually in top list/frame, and all transactions reported by the bank in the lower list/frame. The manual input may be amended in the list.

### ***Account in/out***

Show in/out transactions for the account selected in lower list/frame, both for manual input and those reported by the bank. The user may input and amend transaction for the selected account in this window.

NOTE: A re-run of the selected date should be done when new transactions have been inputted, amended or deleted. The re-run will take the updated transaction list into account for calculations.

### ***Details on warning***

Shows details for warning with:

- Date and NAV for previous period
- Sum transfer in/out and adjusted NAV

- Date and NAV for report
- Loss in percent (Delta)
- Trigger level
- Number of breaches before

User may input:

- Comments for warning and action taken.
- Switch for client informed.
- Checkbox if warning is to be ignored (wrong NAV reported on date from bank).

### 3.5 Special care

#### ***Limitation on bank data***

Nordnet is not able to report amount on transfer in/out on some foreign securities. These transactions are therefore reported with zero amount.

If there is a false report because of these zero transactions, the user may input a transaction manually with currency and amount on a date to rectify the error in reporting. A new “Run on Date” should be made for the date with the manual transaction (every date thereafter if this is done for an earlier date).

## 4. BEST EXECUTION

### 4.1 General

Where applicable, the Company informs the client that it can execute orders outside a trading venue, informs the client on the consequences, for example counterparty risk arising from execution outside a trading venue, and upon client request, additional information about the consequences of this means of execution and a clear and prominent warning that any specific instructions from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions according to Article 66 of MIFID II regulation EU/2017/565.

When executing orders from a client, the Company considers the best possible outcome for the client, according to article 27 of MIFID II regulation EU/2017/565 by considering price, costs, speed, likelihood of execution and settlement, size, nature, or any other relevant consideration for the specific execution. However, if there is a specific instruction from the client, the Company executes the order according to the client’s instruction.

The Company does not receive any remuneration, discount, or non-monetary benefit for placing client orders on an execution venue of their choice, which would interfere with conflict of interests’ requirements. (a specific “**conflicts of interest policy**” is accessible to all the staff of the Company’s common drive).

The custodians and brokers that the Company uses are all under regulations that have anti-money laundering, antitrust, monopoly, competition, and cartel regulations that all are designed to preserve free and open competition.

The best execution arrangements are regularly monitored by the Company to identify that they are providing the best possible results to the client.



## **4.2 Execution venues and orders**

The execution of orders is made online via Bloomberg for some clients, or by phone or directly through the custodians' or brokers' online platforms. All settlements are also made via the custodians' online platform.

When the execution of orders is performed by the custodian(s), the Company follows the orders via the Bloomberg service and gets response immediately from the custodian banks when a deal is executed.

The order is confirmed by the custodian bank through email or through the online system depending on the custodian bank. When the order is settled and booked on the client account, the transaction is shown on the daily list of operation and CS/Admin controls that it is correctly settled.

The execution venues used are chosen by the experienced account managers, taking into consideration the best possible outcome for the clients, according to section 4.1 of this Policy.

Considering the size of the company and the volume dealt with, the orders are dealt with in chronological order as they arrive to the office.

For the discretionary clients, the Company decides, to the best of their knowledge, when there is an opportunity to enter the equity market. The decision is made at the Company's office.

## **4.3 Informing clients**

The Company informs the client of the execution venue(s) used, and how orders are executed.

The clients are as well informed of material changes to their execution arrangements.

If a client, or authority, wishes to receive information on that the Company has executed the orders in accordance with section 4 of this Policy, the Company shall provide the information.

Should there appear a conflict of interest between the Company and their clients regarding a specific topic on the securities market, the Company always informs their clients.