

Anti-Money Laundering and Counter Terrorism Policy

Cardano Development Anti-Money Laundering and Counter Terrorism Policy

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Approved by: Stichting Cardano Development Supervisory Board

Audience: Stichting Cardano Development, Cardano Development, All Cardano Development Companies and Frontier Finance Solutions

Custodian: Senior Operations Manager

1. Introduction

Cardano Development Group ("CD", as referred to in this document) is committed to the highest ethical standards regarding anti-money laundering ("AML") and countering the financing of terrorism ("CFT"), consistent with the Financial Action Task Force ("FATF") recommendations in its "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation". This AML/CFT Policy (the Policy) aims to safeguard CD against money laundering ("ML") and the financing of terrorism ("FT" or "TF"). The Policy outlines the principles and minimum standards of internal AML/CFT controls which should be adhered to by CD Personnel to mitigate reputational, regulatory, legal and financial loss risks.

2. Key Responsibilities

This Policy (Anti-Money Laundering Policy) applies to all employees, directors, contractors, and agents ("Personnel") of Stichting Cardano Development, Cardano Development B.V., Frontier Finance Solutions B.V. and all subsidiaries controlled directly or indirectly by Frontier Finance Solutions B.V. (in this document hereafter collectively referred to as "CD" or the "CD Companies" and each, a "CD Company").

Cardano Developments Managing Board is responsible for approving this Policy and expects the managing boards of all of its affiliates to either

- a) adopt the policy as stated herein; or
- b) if required to address a need particular to that affiliate, adopt an alternative policy with substantially similar intent;
- c) be responsible for ensuring its compliance with this Policy and associated standards and guidance as issued by CD from time to time, and;
- d) take reasonable steps to ensure that equivalent arrangements are put in place in respect of each Service Provider and CD Recipient (where appropriate) to ensure their compliance with this Policy or another policy consistent with the principles of this Policy.

3. Principles

CD shall take steps to encourage CD companies to adopt policies that are consistent with the principles set out in this Policy, with the purpose of safeguarding CD Companies assets from being used for Money Laundering or Financing of Terrorism.

CD and CD Companies shall be responsible for identifying and mitigating the risks of Money Laundering and Terrorist Financing in deploying and managing resources.

4. Purpose and Objectives

The purpose of this Policy is to provide principles and guidance regarding AML/CFT requirements and risks and to meet the following objectives;

- a) Prevent the abuse of CD and CD companies resources for ML and/or FT;
- b) Meet applicable legal requirements and international or higher standards in jurisdictions where CD and CD Companies operate;
- c) Mitigate any reputational risk;
- d) Support the establishing and/or strengthening of capacities in countries to meet CD and CD companies fiduciary standards regarding AML/CFT;
- e) Guard against establishing any relations or undertake any transaction that may relate to or may facilitate ML and/or TF or any illicit activity;
- f) Exercise due diligence when dealing with Counterparties, persons appointed to act on Counterparties, and connected parties of Counterparties; and
- g) Continuously review and update its AML/CFT Policy and Procedures and its corresponding AML/CFT Standards as threats and international standards evolve to prevent and detect ML and/or FT.

5. Definitions

For the purposes of this Policy, the following terms shall have the meaning set out below:

5.1 Ultimate Beneficial Owner (UBO)

Natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement referred to as Senior Managing Official (SMO).

5.2 Counterparty

Any party, including but not limited to suppliers that contributes to, executes, implements, bids for, or in any way participates in CD related Activities.

5.3 Financing of Terrorism or Terrorist Financing (TF)

Defined as the commission of any offence as set out in in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

5.4 Money Laundering (ML)

- a) The conversion or transfer of property, knowing that such property is derived from crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any

person who is involved in the commission of the crime to evade the legal consequences of his or her actions;

- b) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime, or;
- c) The acquisition, possession or use of property, knowing at the time of receipt that such property was derived from a criminal offence.

5.5 Risk Base Approach (RBA)

A process of identifying, assessing and understanding ML/FT risks which CD is exposed to and to take measures commensurable to those risks to mitigate them effectively.

5.6 Tipping Off

Disclosing the fact that suspicious transaction or related information is filed with management or authorities.

5.7 Client Due Diligence (CDD)

CDD is a process to identify and verify the true identity of a Counterparty. This would enable CD or CD companies to assess and evaluate the extent of which ML/TF risk is associated with the proposed Counterparty.

5.8 Sanctions

Are political or economic decisions that are part of diplomatic efforts by country, multi countries or regional organisations against state or organisation to either protect national security interests or to protect law, and defend against threats to international peace and security. These decisions principally include the temporary imposition on a target of economic, trade, diplomatic, cultural or other restrictions (sanctions measures) that are lifted when the motivating security concerns no longer apply, or when no new threats have arisen.

5.9 Suspicious Activity Report (SARS)

A SAR is a Suspicious Activity Report, a piece of information which alerts law enforcement that certain client/customer/counterparty's activity is in some way suspicious and might indicate money laundering or terrorist financing.

5.10 Politically Exposed Person/Entity (PEPs)

PEP is a Politically Exposed Person or Entity who is entrusted with one or more of the following prominent public functions, has been entrusted for the past year or is about to be entrusted with such function. Some family members of such a person or entity are also classified as PEPs. This is the case for a parent, the spouse, (or equivalent) or a child or spouse of a child (or equivalent). The same applies to persons who are known to have a close business relationship with a person or entity with a PEP function.

Example of PEP Functions:

- head of state, head of government, minister, junior minister or state secretary;
- member of parliament or member of a similar legislative body (e.g. the senate or parliament);
- member of the board of a political party;

- member of a supreme court, constitutional court or other high court that delivers judgments against which, except in exceptional circumstances, there is no appeal, for example in the Netherlands: Council of State (*Raad van State*), Supreme Court (*Hoge Raad*), Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven*) (and/or the Central Board of Appeal (*Centrale Raad van Beroep*));
- member of an audit office or of the board of a central bank;
- ambassador, chargé d'affaires or senior officer of the armed forces;
- member of the management, supervisory or governing body of a state-owned company;
- director, deputy director, member of the board or holder of an equivalent function in an international organization (such as the International Court of Justice, the United Nations, the institutions of the European Union, the North Atlantic Treaty Organization and the World Trade Organization);
- another function similar to the functions listed above.

Intermediate or junior officers are not covered by the above functions. The Dutch government has made a list of functions that are 'politically prominent' (PEP functions) in the Netherlands (but PEP functions can also be foreign functions).

6. Key Provisions

CD and the CD companies shall adopt and Implement a continuous risk-based approach(RBA) to identify, assess and understand its ML/TF risks. It shall also ensure measures are put in place to mitigate ML and/or TF are commensurate with the risks identified, enabling decisions on how to allocate its resources in the most effective way.

Under this approach, it will adhere to the following to manage AML/CFT risk:

6.1 Due Diligence

CD and CD companies shall apply the Client Due Diligence (CDD) measures, as determined on a risk based basis, considering the type of counterparty, counterparty relationship, financial instrument and country of operation.

CD and CD companies shall identify and verify the identity of its Counterparties (including their ultimate beneficial owners) with which CD and CD companies enters the relationship with.

6.2 Counterparty Relationships

CD and CD companies shall take reasonable measures to duly assess the purpose, economic rational, and overall AML/CFT and related integrity aspects of the Counterparty and its Ultimate Beneficial Owners to avoid being involved in relationships structured for the purpose of ML and TF.

CD and CD companies will not engage with, and will terminate the existing Counterparty relationship if any, with;

- a) Counterparties who do not cooperate with its CDD efforts;
- b) Counterparties engage in activities prohibited under CD's Policy and Procedure;
- c) Counterparties who are currently under any financial sanctions imposed by the United Nation Security Council (UNSC) resolution issued under Chapter VII of the UN Charter;

- d) On the World Bank Listing of Ineligible Firms and Individuals (www.worldbank.org/en/projects-operations/procurement/debarred-firms or any successor website or location);
- e) Convicted, indicted, or subjected to any similar criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or financing of terrorism or any sanctionable practice, unless a governmental body of a competent jurisdiction has confirmed that appropriate remedial action has been taken.

6.3 Monitoring

It shall be the responsibility of the Senior Operations Manager to monitor the implementation of the Policy.

6.4 Reporting

Any suspicious information or red flag that comes to the knowledge of CD Personnel, indicating ML/TF, it must be immediately reported to CD's Internal Compliance Officer without informing the Counterparty or other third parties that a suspicious activity is being reported or investigated. By informing the Counterparty or any other third parties, would be considered as Tipping Off.

6.5 Record Keeping

CD shall keep at least seven years of all records obtained through CDD measures and documentation regarding counterparty relations and executed transactions, and correspondence with the Counterparty.

6.6 Confidentiality

CD and CD companies will ensure the information on Counterparties and transactions obtained while fulfilling AML/CFT requirements, are kept confidential.

6.7 Implementation

CD and CD companies will develop further documentation and guidance (AML/CFT/CDD) Standard Operating Procedures to better enable CD Personnel to be able to follow this Policy.

6.8 Review

CD and CD companies will review and examine its AML/CFT Policy and maintain an effective implementation of the AML/CFT Policy for CD, CD Group and CD Companies activities reflecting international best practice, consistent with evolving FATF Recommendations and changing requirements.

7. Consequences of Non-Compliance

Failing to comply with anti-money laundering (AML) and counter terrorist financing (CTF) laws and regulations can have serious consequences.

- i. Such consequences include but not limited to:
- ii. Punitive fines;
- iii. Criminal proceedings;
- iv. Damaged reputation;
- v. Sanctions.

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