



Approved by:	GND Advisory Board
Approved on:	March 2022
References to external policies:	Alternative Investment Fund Managers Directive (AIFMD) Commission Delegated Regulation (EU) No 231/2013 European Securities and Markets Authority Guidelines and Technical Standards EU Anti-Money Laundering Directive (AMLD) Financial Action Task Force (FATF) Recommendations General Data Protection Regulation Law on Markets in Financial Instruments of the Republic of Lithuania Law of the Republic of Lithuania on the Prevention of Money Laundering and Terrorist Financing Republic of Lithuania Law on Companies
References to internal policies:	Business Code of Conduct Risk Management Plan Business Continuity Plan Sustainability Risk Policy Conflicts of Interest Policy Anti-financial Crime Policy Sustainability Policy Data Protection Policy

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1. The Firm

GND Advisory is an autonomous investment advisory registered in the Republic of Lithuania. The records of GND Advisory are kept at the State Enterprise Centre of Registers.¹ GND Advisory ("GND") and each of its majority-owned subsidiaries (together with GND, the "Firm") conducts its operations in compliance with the EU and Lithuanian Law, Regulations, and its internal Code of Conduct.

2. Purpose of the Risk and Compliance Policy

The purpose of the Risk and Compliance Policy (the "Policy") is to set and define the principles, roles and responsibilities and framework for risk and compliance management within GND Advisory.

The Policy also specifies risk taxonomy.

All other policies and guidelines related to risk management must be aligned with this Policy. In case of any inconsistencies, the principles laid down in the Policy shall prevail.

3. Roles and Responsibilities

Group	Reason
Board	Governance responsibility
Management	Strategic responsibility
Staff Partners and Vendors	Operational responsibility
Regulators	Compliance responsibility
Investors	Fiduciary responsibility

4. Risk Appetite

The risk appetite is set and reviewed centrally by the GND Advisory Board and this policy should be applied in line with those risk appetites.

GND Advisory has no appetite for unfair customer outcomes or poor market conduct, whether through deliberate or negligent actions. Consistent with our values, where unfair outcomes arise, the Firm will put it right in a fair and prompt manner.

GND Advisory has no appetite for any breach of laws, regulations or prescribed codes that would impact clients, customers, shareholders, market integrity or financial stability. Where breaches are identified, GND Advisory will ensure that these are resolved in a timely manner considering (where relevant) the interests of customers, clients, shareholders and other stakeholders.

Where laws require interpretation or where regulations or codes are ambiguous or untested, GND Advisory will take reasonable steps to determine their applicability, including seeking legal advice where necessary.

5. Risk Management Framework

As part of the integral control activities, risk management framework is established and maintained applicable to the overall GND Advisory. Risk management is being built on the following policies and procedures:

¹ State Enterprise Centre of Registers. https://www.registrucentras.lt/jar/index_en.php

- a. **Internal Risk Management and Control Plan** – establishes procedures for identification, registration, assessment, measurement, monitoring and reporting of all material risk as well as implementation of risk treatment response.
- b. **Business continuity plan** – provides a plan and describes processes for business continuity assurance in the event there are disruptions of normal operations.
- c. **Data protection policy** – creates procedures and rules for collecting, storing, sharing and otherwise processing Personal Data of clients and prospects.
- d. **Investment risk management plan** – sets standard and procedures for identifying, assessing, measuring, monitoring and reporting of risks affecting investments.
- e. **Sustainability risk policy** – provides a guideline for ESG and climate risks management.

Risk management framework enables GND Advisory to build and maintain an overview of all materials risk that the Firm may be exposed to. As part of the framework, GND Advisory defines Risk Taxonomy.

6. Compliance Management Framework

Compliance management framework and control system in GND Advisory relates to the following policies:

- a. **Business conduct of conduct** – establishes a foundation of standards and principles for all business activities and internal operations conducted by GND Advisory.
- b. **Anti-financial crime policy** – provides general framework for GND Advisory on the fight against money laundering (ML) and financing of terrorism (FT). GND Advisory also puts reasonable measures in place to control and to limit ML/FT risk, including dedicating the appropriate means.
- c. **Personal financial transaction policy** – sets out how personal financial transactions are being managed and secured.
- d. **Conflict of interest policy** – establishes general framework with GND Advisory for the avoidance of conflict of interests.

7. Risk and Compliance Principles and Culture

Risk and Compliance management in GND Advisory is designed to provide an integral compliance approach built on the following principles:

- a. **Risk and compliance culture** – promote and encourage risk and compliance – based culture and ethics.
- b. **Risk assessment** – regular but no less annual review of risks and compliance that may be applicable to GND Advisory and respectively creation of the appropriate risk treatment response.
- c. **Policies and procedures** – implement appropriate control framework that supports risk and compliance assurance and relates those to the operational activities, which align with the regulations to prevent legal violations.
- d. **Monitoring** – establish risk and compliance monitoring and testing that provides visibility and awareness of the overall processes and their risks and compliance, as well as support to the business while ensuring appropriate risk and compliance management.
- e. **Reporting** - regular and comprehensive reporting to the GND Advisory Board about risk and compliance status.
- f. **Tools and technology** – implementation of relevant tools that support risk and compliance in the Firm.
- g. **Awareness and Training** – build up risk and compliance understanding and culture in the entire Firm.



8. Risk Taxonomy

Risk level 1	Risk level 2	
Market Risk		The risk of investments declining in value because of economic developments or other events that affect the entire market.
	Interest rate risk	The risk to earnings or capital arising from volatility of the interest rates.
	Currency risk	The risk of a monetary loss due to adverse movement in the exchange rate of one currency in relation to the other.
	Commodity risk	The risk of a monetary loss due to movements in the commodity prices.
	Equity risk	The risk of a monetary loss due to movements in the equity prices.
Liquidity Risk		The risk of being unable to sell your investment or sell it at a fair price and henceforth incur a significant loss.
	Funding liquidity risk	The risk for the Firm of being unable to fund both expected and unexpected current and future liabilities.
	Market liquidity risk	The risk of being unable to easily exit an investment/ position on describable term without a significant loss in a situation of a market collapse or insufficient market depth.
	Off-balance sheet risk	The risk to incur a significant loss due to activities related to contingent assets and liabilities.
Climate Risk		The risk to incur losses resulting from climate change affecting environmental, social and economic systems.
	Physical risk	The risk to incur losses due to changing climate and its associated acute or chronic physical risks. Acute risks include droughts, floods, extreme precipitation and wildfires. Chronic risks include rising temperatures, an accelerating loss of biodiversity.
	Transition risk	The risk to incur losses due to transitional changes of moving towards green, low carbon economy. These risks include policy and regulatory risks, technological risks, market, reputation and legal risks.
Emerging Risk		The risk to incur complex, usually exogenous, threats and uncertainties that may have significant, unexpected impacts on Firms earnings and market positioning.

	Geopolitical risk	The risk to incur losses due to social instability, terrorist attacks, armed conflict or other geopolitical event.
	Political/ economic risk	The risk to incur losses due to adverse regulation, trade/ tariff war or other.
	Technological risk	The risk to incur losses due to transformational innovation, large-scale cyber attack or other technological events.
Compliance Risk		The risk to incur regulatory consequences due to non-compliance with applicable regulatory requirements.
Operational Risk		The risk to incur consequences due to insufficient or failed internal processes, people and systems or external events.
	Conduct risk	The risk to incur losses due to conflict of interests, lack of social responsibility, unprofessional working ethics, discrimination etc.
	Data protection	The risk of being unable to ensure data protection and to incur a loss due to accidental data loss, data corruption, GDPR breaches etc.
	Financial crime & Fraud risk	The risk to incur losses due to money laundering, terror financing, fraud, corruption and bribery etc.
	Information security	The risk to incur losses due to external cyber-attacks, internal or external malicious activities, confidentiality breach etc.
	ICT risk	The risk to incur losses due to system failures, inadequate IT management, insufficient infrastructure or incident management etc.
	People risk	The risk to incur losses due to human errors, incompetence or lack of experience, insufficient number of employees etc.
	Third party risk	The risk to incur losses due to insufficient control over the vendors, low service quality, poor vendor reputation etc.
	Legal risk	The risk to incur losses due to missing or inadequate legal documentation or other misunderstanding or incompleteness of applicable laws and regulations.
Solvency Risk		The risk to being unable to absorb losses that might occur by all types of risks within business activities within the available capital.
Reputational Risk		The risk to incur significant loss due to factors that might cause adverse perception of GND Advisory firm and its business activities by its stakeholders – partners, vendors, media, public etc.
Business Model Risk		The risk to Firm’s profitability from existing or potential adverse development in the business activities including the (partial) failure to implement business model and strategy.

9. Approval

**I have read, accept and fully understand the responsibilities detailed under this Risk and Compliance Policy.
I approve this Policy.**

**Donatas DITKUS
GND Advisory Representative**