Outsourcing Policy

Version 3
31 January 2023

1. Introduction

Mori Capital Management Limited (“Mori”, “the Company”, “we”, “us”) is an investment management company incorporated in Malta and specialised in emerging markets. The Company is currently authorised and regulated by the Malta Financial Services Authority (“MFSA”) under license number MORI-IF-10972.

This policy outlines the principles and methodology adopted by the Company when outsourcing a “critical or important” function to a third party on an ongoing basis, and it sets the criteria for selecting activities and defining the cases in which the Company resorts to a third-party and how it manages the associated risks. The terms of this policy have been drafted in adherence to the EBA’s guidelines on outsourcing arrangements, Article 16(5) of MiFID II and R1-1.15.2.1 of the MFSA’s Investment Services Rules.

2. Policy Scope

The terms of this policy are applicable to functions, investment services and activities which are deemed “critical or important” for the operation of the business. An operational function is regarded as “critical or important” if a defect or failure in its performance would materially impair the continuing compliance of the Company with the conditions and obligations of its authorisation, or its other obligations under the regulatory system, or its financial performance, or the soundness or the continuity of its relevant services and activities.

Considering the above, the following functions will NOT be considered critical or important:

(a) The provision to the Company of advisory services and other services which do not form part of the Company’s authorised services & activities, including the provision of legal advice to the Company and the training Company staff.

(b) The purchase of standardised services, including market information services and the provision of price feeds.

3. Outsourcing

Outsourcing means any type of agreement between the Company and a service provider (“the provider”), by virtue of which that provider performs a service or an activity which would otherwise be undertaken by the Company itself. This includes the following services and activities:

a) Provision of physical and electronic data storage.
b) Provision of ongoing, day-to-day systems maintenance support.
c) Provision of ongoing day-to-day software/systems management.

d) Outsourcing of all or part of any of the services and activities the Company is required to perform, either for the proper operation of its business or as a legal/regulatory requirement, so long as the terms of outsourcing are in accordance with the legal and regulatory framework within which the Company operates and the terms of outsourcing contemplated in this policy.

4. Risks of Outsourcing

- Strategic risks: where the Company faces material losses as a result of an outsourcing decision and the timeliness of the decision. One of such strategic risks is the service provider performing services in their own name and manner, in conflict with the Company's general strategic goals.
- Exit strategy risks: this may result from the excessive use of an outsourcing entity and loss of relevant skills inside the Company which prevents it from going back to carrying out the activities internally. In this case, letting go of the existing outsourcing entity and the timely contracting of another outsourcing entity may prove expensive.
- Reputational risks: arising from poor service delivery by the outsourcing contractor and/or a level of interaction with clients that does not match the general standards of the Company.
- Compliance risks: where the provider may not observe the applicable laws and regulations.
- Operational risks: emerging from technical failures, fraud, errors, and insufficient capacity to meet obligations on the provider's part.
- Legal risks: including, but not limited to, fines, penalties or punitive damages due to the breach of any legal contractual clause.
- International risks: Emerging from contracting service providers in another country which may expose the Company to additional geopolitical risks. Economic, social, and political circumstances and events in that other country may prevent the service provider from delivery on its contractual commitments towards the Company. To manage international risk, the Company may examine the government policies, as well as the political, social, economic, and legal circumstances in the country where the contracted service provider is located during the risk assessment process. If necessary, the Company may decide to put in place procedures for dealing with such risks.

In order to manage the numerous risks associated with outsourcing operations, the Company shall ensure it performs a complete evaluation of the service provider prior to entering into any agreement.

5. Service Provider Evaluation & Selection

In considering or renewing an outsourcing arrangement, appropriate due diligence shall be performed to assess the risks listed above and the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial and operational factors, including an evaluation of all available information about the service provider, including but not limited to:

- past experience and competence to implement and support the proposed activity over the contracted period;
- financial soundness and ability to service commitments even under adverse conditions;
- business reputation and culture, compliance, complaints and pending / potential litigations;
- security and internal control, business continuity management and reporting and monitoring environment.

Whenever possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

Additionally, the Company shall also consider whether:

- the service provider's systems are compatible with its own;
- the service provider's performance standards, including in the area of customer service (if appropriate), match the Company's own standards;
- any issues that may arise in relation to undue concentration of outsourcing arrangements with a single service provider.

6. Terms of Outsourcing

Should the due diligence evaluation be satisfactory, the Company shall proceed with the provider selection process in accordance with the following guidelines:

1. When relying upon a provider for the performance of operational functions which are critical for the performance of regulated services & activities on a continuous and satisfactory basis, the Company will ensure that it takes reasonable steps to avoid undue supplementary operational risk.

2. The provider will co-operate with the competent authorities of the Company in connection with the outsourced activities.

3. The Company, its auditors and the relevant competent authorities must have effective access to data related to the outsourced activity as well as reasonable access to the business premises of the provider.

4. The Company will not undertake the outsourcing of operational functions in such a way as to materially impair the quality of its internal controls.

5. The Company and the provider will establish, implement and maintain a contingency plan for disaster recovery and periodic testing of back-up facilities, where relevant to the outsourced activity.

6. The Company will remain fully responsible for discharging all of its obligations under its license, in particular:

- The outsourcing must not result in the delegation by senior personnel of their responsibilities.
- The Company will retain the necessary expertise to supervise the outsourced functions effectively and manage the associated risks.
- The Company will supervise the outsourced functions and manage the associated risks.
- The relationship and obligations of the Company towards its clients under the terms of its license must not be altered.
- The Company's license conditions must not be undermined, removed or modified.

7. The Company must exercise due skill, care and diligence when entering into, managing or terminating any outsourcing arrangement. The terms of all outsourcing arrangements shall be comprised in a written agreement signed and approved by both parties.

8. The Company must take the necessary steps to ensure that the following conditions are satisfied:

- The service provider must have the ability, capacity, and legal permissions required to perform the outsourced functions, services or activities reliably and professionally.
- The service provider must execute the outsourced services effectively and, to this end, the Company must establish methods for assessing their performance standard.
- The service provider must properly supervise the execution of the outsourced functions and adequately manage the risks associated with the outsourcing.
- The service provider must disclose to the Company any development that may have a material impact on its ability to execute the outsourced functions effectively and in compliance with applicable laws and regulatory requirements.
- The business agreement between the two parties must include terms by virtue of which the company has the ability to terminate the outsourcing arrangement, where necessary, without detriment to the continuity and quality of its provision of services to its clients, in the event the service provider does not / is unable to perform the contracted functions effectively and in compliance with applicable laws and regulations, or the quality of the services provided deteriorates to the extent that is inappropriate to fulfil the business needs of the Company.
- The service provider must protect all confidential information relating to the Company and its clients.
- The service provider must disclose to the Company any development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements.

9. Whenever possible, the Company must have on file a list of alternative service providers, which the Company can engage at short notice should the selected entity fail to fulfil any of the terms outlined in

this policy. In the event that the Company discontinues its relationship with the original provider and engages an alternative firm, the Company will perform a full evaluation of said company as per the terms of this policy, even in the event that this exercise had been performed during the initial service provider selection process.

7. Monitoring and Management

The Company's Compliance Officer and Chief Operations Officer are responsible for the monitoring and management of all outsourcing agreements. Responsibility for monitoring and management may also extend to other departments within the Company subject to the nature of the business outsourced and its relevance to any given department's tasks.

Monitoring and management supervision shall encompass all phases of the life cycle of the outsourcing agreement, from the decision to outsource an existing function, to performing appropriate due diligence checks, to ensuring that the terms of outsourcing, as described in section 6, are satisfied. Where the outsourced activities are regulated, monitoring and management supervision shall also entail verifying compliance with applicable laws and regulations.

In the event that, as a result of the supervisory activities performed by the Company, shortcomings are found in the performance and/or services provided by the outsourced third-party, immediate notification must be made to the Compliance Officer, who shall prepare a report describing the specific issues observed, the individual or department which identified these issues, appropriate timelines, and any communications that may have been established with the service provider in relation to the matter. The report shall be submitted to the Company's management board for evaluation.

8. Contact

Any questions in relation to this policy shall be addressed to:

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