



# DUFAS

## Principles of Fund Governance

### Annex

#### ***Explanatory memorandum to the principle of oversight:***

The general principle of a check on the duty of the management company to act in the interest of the investors in its funds(s) can be designed in one of -- or a hybrid form of -- the following ways:

- A.** Supervisory board at the level of the management company (two-tier board) and/or the fund(s).
- B.** Non-executive members in the board of directors of the management company (one-tier board).
- C.** Supervisory board at the level of the overarching financial group, having due care for the duty of the management company(-ies) in the group to act in the interest of the investors<sup>1</sup>.
- D.** Independent depositary at the level of the fund who's tasks extend that of safekeeping and administrating assets. The depositary is assigned controlling tasks<sup>2</sup> to ensure that the fund is managed in accordance with its objectives, similar to the practice for ucits<sup>3</sup>.
- E.** External auditor (who is the auditor of the fund) can be engaged to perform specific agreed-upon-procedures in order to assess the compliance of these principles and reports his findings to the Board of the management company.

In case a management company can not comply with one of or a hybrid form of these options, an alternative way to achieve the general principle of oversight shall be described in the AO/IC.

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<sup>1</sup> Such care can be achieved via a subcommittee of the supervisory board entrusted with this task or by means of institutionalized reporting structures whereby the key control function at the level of the management company can report to the group supervisory board separately from the hierarchical reporting structure.

<sup>2</sup> These tasks include a check on compliance of transactions in units, calculations of Net Asset Value (NAV), allocation of income, calculation and allocation of costs and the investment policy with law and articles of incorporated/fund rules.

<sup>3</sup> And as such safeguarding the level playing field with other European jurisdictions.