

DESCRIPTION
OF **CONTROL**
AND **RISK**
MANAGEMENT
IN **FINANCIAL**
REPORTING
PROCESS

RISK DESCRIPTION

The primary responsibility for the SimCorp Group's risk management and internal controls in relation to the financial reporting process rests with the Executive Management Board and the Board of Directors, including compliance with applicable legislation and other financial reporting regulations.

In the opinion of the Board of Directors and the Executive Management Board, their position on generally accepted risk management and internal controls is guiding for that of the Group and is therefore regularly emphasized.

The Group's risk management and internal controls in relation to the financial reporting process, including IT and tax, are designed to effectively manage the business and activities, rather than eliminate the risk of error and omissions in the financial reporting.

The Group's risk management and internal control systems in relation to the financial reporting process will provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors, and omissions in the financial reporting are avoided.

The Board of Directors and the Executive Management Board currently assess significant risks and internal controls in relation to the Group's operations and their potential impact on the financial reporting process.

1. CONTROL ENVIRONMENT

At least annually, the Board of Directors evaluates the Group's organizational structure and the staffing in key areas, including in areas related to the financial reporting process such as IT and tax.

The Board of Directors and the Executive Management Board are responsible for establishing and approving general policies, procedures, and controls in key areas in relation to the financial reporting process. This requires a well-defined organizational structure, well-defined reporting lines, authorization and certification procedures, and segregation of duties (the four-eye principle).

The Board of Directors has adopted policies and general procedures, etc. within significant areas of financial reporting, a risk policy governing interest rate and foreign exchange transactions, a tax policy, an IT risk policy, and a whistleblower policy.

The adopted policies, manuals, and procedures are available on the Group's intranet and the importance of compliance with these is regularly emphasized. Compliance is currently monitored and tested by means of sample checks.

The Executive Management Board has established a controlling function for the purpose of controlling the financial reporting from subsidiaries and associates.

On an ongoing basis, the Executive Management Board monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the Board of Directors.

2. RISK ASSESSMENT

At least annually, the Board of Directors through the Audit Committee and the Executive Management Board make a general risk assessment of risks in relation to the financial reporting process.

On the basis of such risk assessment, the Board of Directors adopts a policy for the Group, which includes a description of the significant risks in relation to the financial reporting process and measures taken to manage or eliminate and/or reduce the identified risks.

As part of the risk assessment, the Board of Directors through the Audit Committee and the Executive Management Board annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. The Board of Directors also assesses any possibility of management override of controls and manipulation of the financial reporting.

Decisions and measures to reduce and/or eliminate risks are based on an assessment of materiality and cost/benefit analyses. The significant risks in relation to the financial reporting are described in the management report and in note 6.2 in the Annual Report 2018, to which is referred.

3. CONTROL ACTIVITIES

The control activities are based on the risk assessment. The Group's control activities are aimed at ensuring compliance with the objectives, policies, manuals, procedures, etc. adopted by management and timely prevention, detection, and correction of any errors, discrepancies, omissions, etc. Control activities comprise manual and physical controls as well as general IT controls and automated application controls in IT systems, etc.

Minimum requirements have been established for proper safeguarding of assets and for reconciliations and analyses of financial data, including ongoing assessment of performance and follow-up on objectives.

The Executive Management Board has established a formal group reporting process which comprises budget reporting and monthly reporting, including reporting on budget variances with monthly/quarterly adjustment of estimated full-year results. In addition to the income statement, balance sheet and cash flow statement, the reporting comprises notes and supplementary information.

Information for the purpose of compliance with any note or other disclosure requirements is obtained on an ongoing basis.

4. INFORMATION AND COMMUNICATION

The Board of Directors has adopted an information and communication policy which, among other things, sets out the general financial reporting requirements and external financial reporting requirements in accordance with current legislation and applicable regulations.

One objective of the information and communication policy adopted by the Board of Directors is to ensure that applicable disclosure requirements are met and that disclosures are full, complete, and accurate.

It is important to the Board of Directors that, as far as possible within the scope of the rules applicable to listed companies, there is open communication within the company and that all employees know their responsibilities in respect of the company's internal controls.

The Group's significant risks and internal controls in relation to the financial reporting process, the Board of Directors' attitude to these and the measures taken in this respect are communicated internally within the Group on an ongoing basis.

It is important to the Board of Directors and the Executive Management Board that all employees are on a timely basis provided with relevant information to enable them to carry out their responsibilities.

Observing the confidentiality required for listed companies, the information systems are designed to identify, collect, and communicate relevant information, reports, etc. on a current basis and on a relevant level to facilitate an effective, reliable workflow and the performance of the adopted controls. The objective is to ensure that the company is continually able to control the performance of activities and report reliably in order to effectively manage the company operationally, financially, and in accordance with current legislation and regulations. The information system and the related manual and system routines are to facilitate the performance and documentation of controls in an effective and appropriate manner.

Moreover, the information is to facilitate timely, effective, and reliable communication across the organization and, where relevant, with clients, suppliers, authorities, shareholders, investors, financial markets, the media, and others.

5. MONITORING

To ensure its effectiveness, any risk management and internal control system requires ongoing monitoring, testing, and quality control.

Monitoring takes place by means of regular assessments and controls at all levels of the Group. The scope and frequency of such periodic assessments depend mainly on the risk assessments and on the effectiveness of the regular controls.

Any weaknesses, control failures, cases of non-compliance with adopted policies, frameworks, etc. or other significant deviations are reported upwards in the organization in accordance with the Group's policies and instructions. Any weaknesses, omissions, and/or cases of non-compliance are reported to the Executive Management Board. Any significant matters are also reported to the Board of Directors.

The Board of Directors regularly receives reports from the Executive Management Board on compliance with the guidelines, etc. and information on any noted weaknesses, omissions, and/or cases of non-compliance with adopted policies, business procedures, or internal controls.

By way of the long-form audit report, the auditors appointed by the company in general meeting report to the Board of Directors on any significant weaknesses in the Group's internal control systems in relation to the financial reporting process. Any minor issues are reported to the Executive Management Board by way of management letters.

The Board of Directors monitors that the Executive Management Board responds effectively to any weaknesses and/or omissions and that agreed measures aimed at strengthening risk management and internal controls in relation to the financial reporting process are implemented according to plan.

The Executive Management Board is responsible for following up on any weaknesses found in subsidiaries and on issues described in management letters, etc.

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