

# EUROPEAN ADDENDUM TO GLOBAL CODE OF CONDUCT

## SEPARATION OF SWITCH AND SCHEME WITHIN THE EEA

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# INTRODUCTION

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In order to facilitate competition in the market for card payments, on 29 April 2015 the European Union (“EU”) published the Interchange Fee Regulation (EU/2015/751)<sup>1</sup>. As well as introducing interchange fee caps, the Regulation required 4 party card schemes to separate their payment card schemes and processing entities operating within the EEA, with the objective of helping to achieve a level playing field among different players in the market.

At Mastercard, our success is directly tied to our reputation and the trust people place in our brand, and we are committed to complying fully with the Regulation. This Addendum to Mastercard’s Code of Conduct provides guidance to help you understand the separation requirements and lays out the processes and procedures necessary for us to be fully compliant. The Addendum came into effect on 9 June 2016.

Every Mastercard employee is individually accountable for adhering to it. Wherever you are based, if you interact with the EEA Switch business or the EEA Scheme business and their customers, this Addendum applies to you. If you have a question about how to comply with this Addendum or about particular tasks you are undertaking, it is your responsibility to ask your manager, the Legal Department or contact the EEA Compliance Manager on functional separation.

All Mastercard employees must annually certify their compliance with our Code of Conduct, of which this Addendum is an integral part. Please read this Addendum carefully.

We will update this document as appropriate in light of any relevant developments.

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<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R0751>

## BACKGROUND

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### What does the Regulation mean for Mastercard?

Within the 31 countries that make up the European Economic Area (EEA),<sup>2</sup> Mastercard must maintain a functional separation between our payment card scheme (“EEA Scheme”) and our processing entity (“EEA Switch”).

This means:

- a) EEA Switch and EEA Scheme work as separate, independent business units;
- b) They will take independent decisions on strategy, pricing and sales;
- c) They will **not** share Sensitive Information with each other (i.e. a commercially sensitive information which is not accessible to each of their competitors); and
- d) They will not treat each other more favorably than they would treat a third party when competing for customers in the EEA

The EEA Scheme and EEA Switch share central resources to avoid unnecessary duplication of costs and inefficiencies (“Shared Services”). Please see Glossary on page 13 for further details.

Every Mastercard employee (including employees of our subsidiaries, contractors, contingent workers, and temporary workers (when they act on Mastercard’s behalf)) is expected to take the time to read this Addendum, understand how it applies to his or her work, and to comply with it on a daily basis.

**If you are not based in an EEA Member State but you interact with the EEA Switch business and/or the EEA Scheme business and their customers, this Addendum is still relevant to you. In particular, the prohibition on exchanging Sensitive Information, directly or indirectly, between the EEA Scheme and the EEA Switch applies to everyone in Mastercard.**

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<sup>2</sup> The European Economic Area is made up of the member states of the EU (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom), as well as Iceland, Liechtenstein, and Norway.

## **VIOLATIONS OF THE ADDENDUM**

Because Mastercard is committed to doing business the right way, violations of our Code (including this Addendum) or other company policy may result in disciplinary action up to and including termination of employment.

# FUNCTIONAL SEPARATION-KEY REQUIREMENTS

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## To ensure compliance with the Regulation, EEA Scheme and EEA Switch will each:

- Have their own dedicated employees
- Occupy either separate workspaces or separate areas of workspaces with restricted controlled access
- Have segregated access to Information Management Systems
- Ensure that employees in the EEA Scheme cannot access directly or indirectly Sensitive Information belonging to the EEA Switch, and vice-versa (e.g. information on non-standard pricing, commercial strategies, marketing plans)
- Where information falls outside the definition of Sensitive Information\*, the information can be shared between Switch and Scheme, in so far the same information is also available to third parties on the same terms
- Have separate compensation frameworks that ensure that compensation for employees in EEA Scheme is not dependent (directly or indirectly) on the performance of EEA Switch, and vice-versa
- Prepare separate Profit & Loss accounts
- Have separate management structures in charge of each business unit
- Have separate decision-making processes
- Have separate reporting lines
- Enter into separate contracts with customers and suppliers
- Enter into arm's length agreements (in the event that either EEA Scheme or EEA Switch needs to coordinate with the other)
- Issue separate invoices to customers
- Prepare separate annual operating plans, budgets including capital and operating expenditures

\*If you are not sure whether you are dealing with Sensitive Information, please always check with the EEA Compliance Manager on functional separation or refer to the checklist uploaded on the dedicated section of MC Central on Separation of Scheme and Processing.

# RESPONSIBILITIES OF EEA SCHEME EMPLOYEES (and non-EEA employees if dealing with EEA regions/customers)

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## Are you an EEA Scheme employee who is not on the sales team?

If the answer is yes, the following guidelines apply to you:

### DON'TS

- ❖ Don't provide Sensitive Information regarding EEA Scheme to employees of EEA Switch
- ❖ Don't seek Sensitive Information regarding EEA Switch
- ❖ Don't ask other people to provide you with Sensitive Information regarding EEA Switch
- ❖ Don't try to access EEA Switch workspaces
- ❖ Don't try to access any EEA Switch documents on any Mastercard systems
- ❖ Don't guess – if you have questions about what to do or concerns, contact any member of the Legal Department

### DO'S

- ❖ Do attend one of the mandatory training sessions on the Regulation
- ❖ Do comply with our internal controls for systems and data access
- ❖ Do raise questions with your manager in EEA Scheme if you are unsure what to do, or if you have questions regarding Mastercard's obligations
- ❖ Do periodically review this Addendum and relevant material on functional separation on MC Central
- ❖ Do speak up – contact a member of the Legal Department if you have any questions, concerns, or if you think something unethical or illegal might have happened

## Are you on the EEA Scheme sales team?

If you are, always comply with the Sales Model used by the EEA Scheme, as well as the following guidelines:

### DON'TS

- ❖ Don't provide Sensitive Information regarding EEA Scheme to employees of EEA Switch
- ❖ Don't seek Sensitive Information regarding EEA Switch
- ❖ Don't ask other people to provide you with Sensitive Information regarding EEA Switch
  - ❖ Don't discuss terms of business, with EEA Switch employees
  - ❖ Don't discuss Switch rebates, incentives, price reductions with customers
  - ❖ Don't alert employees at EEA Switch of current or upcoming sales opportunities
  - ❖ Don't pass customer contact details to employees of EEA Switch without the customer's prior written consent
  - ❖ Don't try to access any EEA Switch documents on any Mastercard systems
- ❖ Don't try to access EEA Switch workspaces
- ❖ Don't promote the services of EEA Switch, except as expressly permitted under the Sales Model
- ❖ Don't guess – if you have questions about what to do or concerns, contact any member of the Legal Department

### DO'S

- ❖ Do attend one of the mandatory training sessions on the Regulation
- ❖ Do attend one of the mandatory training sessions on the Sales Model
- ❖ Do comply with the Sales Model
- ❖ Do comply with our internal controls for systems and data access
- ❖ Do raise questions with your manager in EEA Scheme if you are unsure what to do, or if you have questions regarding Mastercard's obligations
- ❖ Do periodically review this Addendum and relevant material on functional separation on MC Central
- ❖ Do speak up – contact a member of the Legal Department if you have any questions, concerns, or if you think something unethical or illegal might have happened

**Remember:** Initial customer queries may be received and handled by Account Managers. However, if the Account Manager need access to Sensitive Information from the Switch or if the customer wishes to discuss changes to its processing contract, they will need to direct such inquiries to staff in the Switch unit.



# RESPONSIBILITIES OF SWITCH EMPLOYEES

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## Are you an EEA Switch employee who is not on the sales team?

If the answer is yes, the following guidelines apply to you:

### DON'TS

- ❖ Don't provide Sensitive Information regarding EEA Switch to employees of EEA Scheme
- ❖ Don't seek Sensitive Information regarding EEA Scheme
- ❖ Don't ask other people to provide you with Sensitive Information regarding EEA Scheme
- ❖ Don't try to access any EEA Scheme documents on any Mastercard systems
- ❖ Don't try to access EEA Scheme workspaces
- ❖ Don't guess – if you have questions about what to do or any concerns, contact any member of the Legal Department

### DO'S

- ❖ Do attend one of the mandatory training sessions on the Regulation
- ❖ Do comply with our internal controls for systems and data access
- ❖ Do raise questions with your manager in EEA Switch if you are unsure what to do, or if you have questions regarding Mastercard's obligations
- ❖ Do periodically review this Addendum and relevant material on functional separation on MC Central
- ❖ Do speak up – contact a member of the Legal Department if you have any questions, concerns, or if you think something unethical or illegal might have happened

## Are you on the EEA Switch sales team?

If you are, always comply with the Sales Model used by the EEA Switch, as well as the following guidelines:

### DON'TS

- ❖ Don't provide Sensitive Information regarding EEA Switch to employees of EEA Scheme
- ❖ Don't seek Sensitive Information regarding EEA Scheme
- ❖ Don't ask other people to provide you with Sensitive Information regarding EEA Scheme
  - ❖ Don't discuss terms of business, with EEA Scheme employees
  - ❖ Don't discuss Scheme rebates, incentives, price reductions with customers
  - ❖ Don't alert employees at EEA Scheme to current or upcoming sales opportunities
  - ❖ Don't pass customer contact details to employees at EEA Scheme without the customer's prior written consent
  - ❖ Don't try to access any EEA Scheme documents on any Mastercard systems
- ❖ Don't try to access EEA Scheme workspaces
- ❖ Don't promote the services of EEA Scheme, except as expressly permitted under the Sales Model
- ❖ Don't guess – if you have questions about what to do or any concerns, contact any member of the Legal Department

### DO'S

- ❖ Do attend one of the mandatory training sessions on the Regulation
- ❖ Do attend one of the mandatory training sessions on the Sales Model
- ❖ Do comply with the Sales Model
- ❖ Do comply with our internal controls for systems and data access
- ❖ Do raise questions with your manager in EEA Switch if you are unsure what to do, or if you have questions regarding Mastercard's obligations
- ❖ Do periodically review this Addendum and relevant material on functional separation on MC Central
- ❖ Do speak up – contact a member of the Legal Department if you have any questions, concerns, or if you think something unethical or illegal might have happened

# RESPONSIBILITIES OF SHARED SERVICES AND VALUE ADDED SERVICES EMPLOYEES

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## DON'TS

- ❖ Don't provide Sensitive Information regarding EEA Switch to employees of EEA Scheme
- ❖ Don't provide Sensitive Information regarding EEA Scheme to employees of EEA Switch
- ❖ Don't try to access Sensitive Information on EEA Scheme when working on issues that relate to EEA Switch, and vice versa
- ❖ Don't guess – if you have questions about what to do or concerns, contact any member of the Legal Department immediately

## DO'S

- ❖ Do attend one of the mandatory training sessions on the Regulation
- ❖ Do comply with our internal controls for systems and data access
- ❖ Do familiarize yourself with the Sales Model if you interact with individuals with sales functions in either EEA Scheme or EEA Switch and/or their customers
- ❖ To protect against unlawful disclosures, always:
  - (a) Do ask whether the information is Sensitive Information when it is given to you;
  - (b) Do make sure you label the information so it is clear if it is from EEA Scheme or EEA Switch;
  - (c) Do save it to the correct IT drive; and
  - (d) Do grant access to documents and information of EEA Scheme and EEA Switch appropriately

# SPEAK UP

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We are each responsible to speak up.

## REPORT YOUR CONCERNS

All Mastercard employees should feel empowered and responsible to speak up, particularly with respect to ethical concerns. It's not always easy to raise an ethical concern, but if you have even the smallest suspicion that something unethical or illegal may have happened, the best thing that you can do is to report it. If your suspicion turns out to be correct, by reporting it you have protected the Company and yourself.

You must promptly report suspected and actual violations of the Code of Conduct, including this Addendum, Mastercard policy, and the law.

## RETALIATION IS PROHIBITED

Mastercard will not permit retaliation against you for raising a question, speaking up, providing information or otherwise assisting in an investigation or proceeding regarding any conduct that you believe in good faith constitutes a violation of applicable laws or regulations, the Code, this Addendum, or Mastercard's related policies.

Retaliation against an employee for reporting an issue in good faith is itself a violation of the Code and should be reported.

## HOW TO MAKE A REPORT

You can use any of the following channels:

- ❖ Your manager
- ❖ The Chief Compliance Officer
- ❖ The Global Compliance Investigations Team
- ❖ Any member of Global Compliance
- ❖ The General Counsel
- ❖ Any attorney in the Law Department
- ❖ Employee Relations
- ❖ Your Human Resources Business Partner
- ❖ Confidentially through the Ethics Helpline\* by visiting [www.mastercard.ethicspoint.com](http://www.mastercard.ethicspoint.com) for easy access to international access codes and dialing instructions by country, or to make a report via the web-based reporting tool.

\* Local privacy and data protection laws may restrict or limit the availability of the Ethics Helpline.

# GLOSSARY

**Sales Model** means the Mastercard bespoke sale model put in place to comply with functional separation requirements when dealing with customers of the EEA Scheme and/or the EEA Switch\*.

**Scheme** means a single set of rules, practices, standards and/or implementation guidelines for the execution of card-based transactions and which is separated from any infrastructure or payment system that supports its operation and includes any specific decision-making body, organisation or entity accountable for the functioning of the scheme. All Mastercard services provided to EEA customers are defined as either Scheme, Switch or Value Added Services.

**Sensitive Information** means information of a sensitive nature that provide a competitive advantage to either the payment scheme or the processing entity where such information is not shared with other competitors information, for example, actual prices, discounts, increases, reductions or rebates, other terms and conditions of business, marketing strategies, customer lists, costs, standards, technologies, investments and R&D programmes and their results.

**Shared Services** means any activity, function or service performed by either an internal unit within Mastercard or a separate legal entity and executed for the benefit of both the EEA Scheme and the EEA Switch (e.g. HR, Legal, O&T).

**Switch** means the part of Mastercard's business that provides the authorisation, clearing and settlement services that are, as per the IFR, "are required for the handling of a payment instruction between the acquirer and the issuer".

**Value Added Services** means any Mastercard product and service which support the brand's core activities or Switch's core activities, together with other services which are Scheme and Switch agnostic.



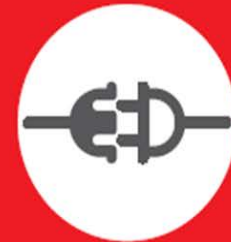
### **Payment Scheme**

means a set of rules, practices, standards and/or implementation guidelines for the execution of payment transactions

### **Switching**

(referred to as processing in the regulation):

- Refers to actions for the handling of a payment instruction between the acquirer and the issuer
- Is authorization, clearing and settlement



**\*Note: You can find details on Sale Model, Sensitive Information checklist, contact details for Compliance Manager on functional separation and much more, on MC Central.**