

# POLICY ON THE MANAGEMENT OF CONFLICT OF INTEREST SITUATIONS AND PREVENTION OF CORRUPTION

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## TERMS AND ABBREVIATIONS

**Ancillary Investment Services** — Ancillary investment services as defined in Section 3, Paragraph five of the Financial Instruments Market Law.

**Bank** — BluOr Bank AS.

**CCD** — Compliance Control Department, except for the Methodology Department.

**Client** — An individual or a legal entity, or a legal arrangement, or an association of such persons, or an association of arrangements to whom the Bank provides Financial Services.

**Commercial Companies of the Group** — Commercial companies within the Prudential Consolidation Group, except for the Bank.

**Conflict of Interest Situation** — A situation in which:

- 1) An Employee/Official in providing a Financial Service, carrying out a Financial Transaction or any other transaction on behalf of the Bank/Commercial Company of the Group, in taking decisions or participating in decision-making within the scope of his/her duties or performing other activities related to his/her position (for example, examining submitted applications, complaints and other similar documents), has a personal direct or indirect material or non-material interest which affects or may affect the interests of the Employee/Official, his/her Relatives (including Relatives of the spouse or registered partner) or counterparties, and affects or may affect the interests of the Bank/Group or Commercial Company of the Group;
- 2) A Person Associated with the Management of the Bank has a direct or indirect material or non-material interest affecting the interests of their Relatives (including Relatives of the spouse or registered partner) or counterparties.

**Corruption** — Unfair actions by Employees or Officials, or abuse of entrusted powers or obligations for gaining private benefit. Corruption includes, but is not limited to bribery (any form of material benefit, including offering, claiming or accept financial or other benefits granted) to affect any person; fraudulent transactions; diversion of funds for other purposes; incorrect forms of business practice that adversely affect the reputation of the Bank/Group or its individual commercial company and public confidence.

**Employee** — An individual who, on the basis of an employment agreement or other legal transaction, is in legal employment relationship with the Bank and/or a Commercial Company of the Group, except for Officials.

**Financial Service** — Financial services provided by the Bank referred to in Section 1, Paragraph one, Clause 4 of the Credit Institution Law.

**Financial Transaction** — Economic transactions of the Bank/Commercial Company of the Group or any procurement of goods or services for the purposes of the Bank/Commercial Company of the Group.

**Group / Prudential Consolidation Group** — Commercial companies included in the prudential consolidation group, which are determined on the basis of the criteria specified in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, in Credit Institution Law, the Bank of Latvia Regulation No. 266 "Regulations on the Exercise of Options Available in Directly Applicable EU Legislation on Prudential Requirements".

**Investment Services** — Investment services as defined in Section 3, Paragraph four of the Financial Instruments Market Law.

**Non-core Investment Services** — Non-core investment services as defined in the Financial Instruments Market Law.

**Official** — A member of the council or the board of the Bank/Commercial Company of the Group or a person performing basic functions at the Bank.

**Person** — A person who, within the meaning of the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, is affiliated with the Bank, and whose Investment Services are placed at the disposal and under the control of the Bank and who is involved in the provision of the Investment Services by the Bank, such as:

- Chairman and members of the board of the Bank;
- Members of the Investment Committee;
- Head and staff of the Brokerage Department;
- Head and staff of the Financial Market Department;
- Head and staff of the Client Asset Management Department;
- Head and staff of the Banking Operations Accounting Division;
- Investment Services Compliance Officer of the Compliance Control Department;
- CCD Senior Lawyer in Investment Services;
- Head and staff of the Investment Attraction Department;
- Head and staff of the Investment Clients Department;
- Persons who are included in the Bank's list of holders of insider information in accordance with the Bank's "Procedure for Managing Transactions and Insider Information for Persons Performing Management Duties".

**Person Associated with the Management of the Bank** — Persons Associated with the Management of the Bank are identified according to the Bank's "Procedure for the Identification of the Bank's Related Parties and Persons Related to the Management of the Bank":

- 1) Bank's shareholders with a qualifying holding in the Bank;
- 2) Spouses, registered partners, parents and children of such shareholders – individuals;
- 3) Members of the council and the board of the Bank;
- 4) Spouses, registered partners, parents and children of members of the council and the board of the Bank;
- 5) Commercial companies in which the persons referred to in paragraphs 1 to 4 have a qualifying holding or substantial influence;
- 6) Commercial companies in which the persons referred to in paragraphs 1 to 4 hold senior positions or are members of the board or the council.

**Personal Transaction** — A trading transaction with financial instruments carried out by a Person or on their behalf, provided that at least one of the following criteria is met:

- a) the Person acts outside the scope of activities performed as part of their professional duties;
- b) the transaction is carried out on behalf of any of the following persons:
  - i) the Person;
  - ii) any person with whom the Person has family ties or close links;
  - iii) a person in whose transaction outcome the Person has a direct or indirect financial interest, other than a fee or commission for executing the transaction.

**Policy** — This “Policy on the Management of Conflict of Interest Situations and the Prevention of Corruption”.

**Relatives** — A spouse, registered partner, mother, father, child, grandchild, sister, brother, half-sister, half-brother or other relations with persons living in the same dwelling and forming one household.

## 1. GENERAL PROVISIONS

- 1.1. The aim of this Policy is to:
  - 1.1.1. Ensure timely identification and management of potential and existing Conflict of Interest Situations and establish guiding principles for action to prevent or mitigate Conflict of Interest Situations;
  - 1.1.2. Establish requirements for the identification, prevention and management of Conflict of Interest Situations arising or likely to arise during the rendering of Financial Services to Clients, including: Investment Services, Ancillary Investment Services, or other services related to Investment Services. The Policy sets out the general arrangements for resolving identified Conflict of Interest Situations and the procedure in which the Bank provides information to Clients on potential and existing Conflict of Interest Situations;
  - 1.1.3. Ensure the management of Conflict of Interest Situations in the Bank and within the Group, which arise or may arise regarding the existing or planned Financial Transactions;
  - 1.1.4. Ensure the prevention of Corruption within the Bank and across the Group.
- 1.2. The Policy with regard to the Commercial Companies of the Group and their Employees and Officials shall be applied proportionally and in accordance with their activities and objectives.
- 1.3. The management of Conflict of Interest Situations arising or likely to arise from the provision of Investment Services, Ancillary Investment Services, or other services related to Investment Services is aimed at ensuring that the Client's interests are respected, protected and best results are achieved.
- 1.4. The Policy is implemented in accordance with the applicable laws and regulations of the European Union and the Republic of Latvia (for example, Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive; Financial Instruments Market Law; Credit Institution Law), including the regulatory enactments issued by the Bank of Latvia (such as the Bank of Latvia Regulation No. 371 “Regulation on Credit Institutions Management System”, the Bank of Latvia Regulation No. 322 “Regulation on the Remuneration Policy and Practices of Credit Institutions”), the Bank of Latvia Regulation No. 265 “Credit Risk Management Regulations”, “BluOr Bank AS Strategy” and the Articles of Association, as well as the “Code of Corporate Ethics Standards”.
- 1.5. In managing the Conflict of Interest Situations, in accordance with the provisions of the laws and regulations of the Bank of Latvia, the Bank/Commercial Company of the Group shall:
  - 1.5.1. Ensure the establishment of an internal organisational structure that promotes effective management of Conflict of Interest Situations and prevents the occurrence of situations where Employees/Officials face or might face Conflict of Interest Situations in the course of fulfilling their occupational duties;
  - 1.5.2. Ensure that the Employees/Officials avoid side jobs or combination of job positions if this may lead to a potential, apparent or real Conflict of Interest Situation, or cast a shadow upon the Bank's/Group's reputation;
  - 1.5.3. Ensure the mutual independence of structural divisions engaged in activities that represent or may cause a Conflict of Interest Situation;
  - 1.5.4. Ensure that information provided by the Bank to business partners, Clients or potential Clients is clear, accurate, true, complete (disclosing all substantial risks to a Client), and not misleading;
  - 1.5.5. Ensure the proper identification of Conflict of Interest Situations and implementation of measures to prevent or limit them in cases where Financial Services or Financial Transactions are carried out with a Person Associated with the Management of the Bank, ensuring that the conditions of such Financial Services or Financial Transactions are not more favourable than those of similar Financial Services of the Bank or Financial Transactions with persons other than Persons Associated with the Management of the Bank, and are not contrary to the interests of the Bank and its depositors or investors.
- 1.6. Providing the provisions specified in paragraph 1.5.5, the “Procedure for Identifying and Managing Conflict of Interest Situations and Prevention of Corruption” shall determine the decision-making procedure, the type of Financial Services, the conditions for the allocation and execution of transactions, the procedure for assessing the risk of a conflict of interest before carrying out the transaction, the description of Conflict of Interest Situations and the procedure for documenting transactions.
- 1.7. Employees and Officials shall provide information regarding themselves in accordance with the procedures specified in the “Procedure for Identifying and Managing Conflict of Interest Situations and Prevention of Corruption”, ensuring that information on potential or existing Conflict of Interest Situations is kept up to date.
- 1.8. The restrictions on carrying out transactions with Persons Associated with the Management of the Bank and the actions of the Bank's council are set out in the “Regulation on the Operations of the Council”, while the restrictions on the members of the Bank's board are set out in the regulatory document “Regulation on the Operations of the Board”.

- 1.9. The implementation of measures related to the management of Conflict of Interest Situations:
- 1.9.1. Investment Services and Ancillary Investment Services – structural units servicing Client financial instruments accounts, the CCD Investment Services Compliance Officer, the CCD Senior Lawyer in Investment Services, the Brokerage Department, the Client Asset Management Department, and the Financial Market Department;
  - 1.9.2. Credit risk-related Financial Services and associated processes are provided by the Crediting Department, the Legal Department, the Loan Servicing and Monitoring Department, the Financial Analysis and Financial Risk Management Department, the Financial Market Department;
  - 1.9.3. Client engagement and sale of services – the Client Asset Management Department, the Financial Market Department, the Brokerage Department, the Investment Clients Department, the Corporate Clients Department, the Business Support Department, the E-Commerce Department, the Crediting Department;
  - 1.9.4. Compliance with the requirements of the Bank of Latvia Regulation No. 371 “Regulation on Credit Institutions Management System” is ensured by the CCD, the board and the council of the Bank/Commercial Company of the Group in accordance with the procedures and in the amount specified in the internal documents;
  - 1.9.5. Compliance with the requirements of the Bank of Latvia Regulation No. 322 “Regulation on the Remuneration Policy and Practices of Credit Institutions” is ensured by the Human Resources Department, the Nomination and Remuneration Committee, and the Bank’s Council, in the manner and scope specified in the internal documents;
  - 1.9.6. Compliance with the requirements of the Bank of Latvia Regulation No. 265 “Credit Risk Management Regulations” is ensured by the Crediting Department, the Loan Servicing and Monitoring Department, the Financial Analysis and Financial Risk Management Department.
- 1.10. The requirements of the Policy shall be binding on all Officials and Employees, in particular the Bank Employees who inform Clients about the Financial Services and the employees of the Banking Operations Accounting, Control and Reporting Department (or the Relatives of such persons who may pose a risk of Conflict of Interest to the Bank).
- 1.11. The Bank shall implement the anti-corruption measures by ensuring regular reporting on material benefits accepted, their evaluation, periodic reporting to responsible decision-making bodies, and providing explanatory information during the training of Employees and Officials.
- 1.12. The Bank lays down the main fundamental principles for the prevention of Corruption for which all Employees and Officials are responsible.
- 1.13. This Policy is drafted in Latvian and translated into English and Russian. In case of linguistic or interpretative disputes or disagreements, the text of the Policy in Latvian shall be legally binding.

## 2. GUIDELINES FOR THE PREVENTION OF CONFLICT OF INTEREST SITUATIONS

- 2.1. The Bank is aware that Conflict of Interest Situations may arise between:
- 2.1.1. A Client and the Bank;
  - 2.1.2. Two or more Clients of the Bank, in a situation where the Bank provides Financial Services to those Clients;
  - 2.1.3. An Employee or an Official and a Client;
  - 2.1.4. An Employee or an Official and the Bank/Commercial Company of the Group;
  - 2.1.5. The Bank and any other Commercial Company within the Group and a Client;
  - 2.1.6. A Related Party and the Bank, Commercial Company of the Group or a Client;
  - 2.1.7. Various structural units of the Bank;
  - 2.1.8. The Bank or other Commercial Company of the Group and an outsourced service provider or an ICT service provider.
- 2.2. The Bank takes all necessary steps to respect the interests of an individual Client or of several Clients in order to prevent potential Conflict of Interest Situations and to ensure that Clients are treated fairly. If the Bank is not capable of preventing a Conflict of Interest Situation, the Bank discloses all information on the Conflict of Interest Situation to the Client or Clients and takes steps to minimise the impact of the Conflict of Interest Situation.
- 2.3. A Conflict of Interest Situation exists in any case where the actions of the Bank in the processing of an order or taking a decision on Investment Services/Ancillary Investment Services are based not only on objective considerations, but are also materially (other than insignificant non-monetary benefit) affected by the interests of the Bank, its Employee, a Person Associated with the Management of the Bank, the Bank’s counterparty, or another Client.
- 2.4. Key indicators of a Conflict of Interest Situation are payments or other benefits presented to or accepted from third parties by the Bank in relation to the service provided to the Client (“incentives”). The Bank gives or accepts incentives only in cases where such incentives contribute to, or are required for providing the Client with the specific Investment Service/Ancillary Investment Service, and they do not conflict with the Bank’s obligation to act fairly, honestly and professionally in the interest of the Client.

### 3. THE PROCEDURE FOR THE IDENTIFICATION OF CONFLICT OF INTEREST SITUATIONS

- 3.1. In identifying the Conflict of Interest Situations, account is taken of the circumstances in which the Bank/Commercial Company of the Group, its Employees and Officials, Persons Associated with the Management of the Bank, could possibly:
  - 3.1.1. Gain profit or eliminate financial losses at the expense of the Client;
  - 3.1.2. Have an interest in the outcome of a Financial Service provided to a Client or the result of a transaction carried out on behalf of a Client where such transaction does not meet the interests of the Client;
  - 3.1.3. Have an interest in establishing cooperation with a specific outsourced service provider, receive remuneration from the outsourced service provider for the cooperation agreement entered into;
  - 3.1.4. Pursue the same professional activity as the Client;
  - 3.1.5. Have an interest in carrying out transactions for a Client or several Clients without taking into account the interests of other Clients, at the result of which such other Clients do not receive the best possible results;
  - 3.1.6. Gain possible incentives in the form of cash, goods or services and non-essential cash-free benefits, other than standard commissions normally accepted as commissions for the service provided.
- 3.2. Employees and Officials of the Bank shall take all necessary and proportionate measures to identify Conflict of Interest Situations inherent in Financial Services in their professional activities.
- 3.3. In managing the Investment Services and Ancillary Investment Services Bank identifies the Conflict of Interest Situations inherent to each type of service.
- 3.4. The Bank classifies the provided Investment Services and Ancillary Investment Services in the following categories, and identifies for each category the potential sources of Conflict of Interest Situations:
  - 3.4.1. Brokerage services in the financial instruments market;
  - 3.4.2. Brokerage services in currency markets and transactions with derivatives;
  - 3.4.3. Management of Client funds (portfolio management);
  - 3.4.4. Initial deployment of financial instruments (including initial deployment of the Bank's or its shareholders' financial instruments) in relation to other Investment Services and Ancillary Investment Services.
- 3.5. Conflict of Interest Situation regarding the Investment Services and Ancillary Investment Services may arise for the following reasons (including, but not limited):
  - 3.5.1. In providing Investment Services, the Bank at the same time acts as the buyer on behalf of the Client and as the issuer of the financial instrument concerned;
  - 3.5.2. In providing Investment Services, the Bank at the same time acts as the buyer on behalf of the Client and as the seller of the financial instrument concerned;
  - 3.5.3. In providing Investment Services, the Bank at the same time acts as the buyer on behalf of one Client and as the seller on behalf of another Client;
  - 3.5.4. In portfolio management, the Bank invests in financial instruments or funds issued by the Bank or related entities;
  - 3.5.5. Providing one Client with advice or services in the organisation and distribution of the issue and providing another Client with advice or services regarding the same issue;
  - 3.5.6. Advising Clients on Investment Services;
  - 3.5.7. Persons carrying out Personal Transactions (including Front Running, acceptance of benefits from Bank counterparties, etc.);
  - 3.5.8. Carrying out the initial deployment of financial instruments, if the Bank offers such financial instruments to its Clients (including within the portfolio management services), and/or purchasing the same financial instruments in the Bank's portfolios;
  - 3.5.9. Providing services of certified consultant on the First North market;
  - 3.5.10. Other situations where the Bank or a Commercial Company of the Group, its Employee or Official has an interest in the activities carried out by the Bank in the provision of Investment Services;
  - 3.5.11. Providing a Client with advice or services in the organisation and distribution of an issue in respect of too low or too high emission price;
  - 3.5.12. Providing advice in both Investment Services and credit risk related services to the same Client.



## 4. PREVENTION OF CONFLICT OF INTEREST SITUATIONS

- 4.1. In order to prevent the Conflict of Interest Situations in Investment Services and Ancillary Investment Services, the Bank shall:
- 4.1.1. Not accept any charges, discounts or non-cash benefit for the delivery of Client orders to a specific place of sale or enforcement;
  - 4.1.2. In providing portfolio management or investment advisory services — reimburse to the Client any inducements, i.e. commissions and any cash-denominated benefits made or provided by a third party (which may be considered as inducements) as soon as possible after receiving such payments, or refrain from accepting such payments;
  - 4.1.3. Not accept any non-financial benefits which are considered to be significant and may be considered as incentives;
  - 4.1.4. Not accept investment studies from third parties which may be considered as incentives if such investment studies are not publicly available;
  - 4.1.5. Comply with the restrictions imposed by the *Nasdaq Riga Stock Exchange* when providing certified consultant services on the *First North* market.
- 4.2. If the Bank organises the initial deployment of financial instruments, the Bank shall:
- 4.2.1. Not promote the interests of other Clients or investment companies if such action would conflict with the interests of the issuer's Client;
  - 4.2.2. Not allow itself to be influenced by any existing or future business relationship;
  - 4.2.3. Not distribute securities in such a way as to induce high-level commissions for unrelated services provided by an investment company (so-called laddering);
  - 4.2.4. Not distribute securities to a high-level management of an existing or potential issuer's Client as remuneration for corporate financial activities provided before or after such activities (so-called spinning);
  - 4.2.5. Not distribute securities based on a direct or implied condition that Client or any undertaking where the Client is the owner or managing officer would subsequently order any other services;
  - 4.2.6. Not distribute securities in such a way that the offer price promotes the interests of other Clients or the Bank itself in a way that could conflict with the interests of the Client-issuer;
  - 4.2.7. Prevent and manage situations where persons responsible for providing bond issuance services to Bank Clients are directly involved in decision-making on providing financial advice on pricing to corporate Clients-issuers.
- 4.3. The Bank shall establish and maintain a register, which shall include information on Personal Transactions performed by Persons, on the basis of information provided by the Persons or disclosed by the CCD.
- 4.4. For the purposes of preventing Conflict of Interest Situations in credit risk-related services, the Bank/Commercial Company of the Group shall ensure that:
- 4.4.1. Employees or Officials who take decisions on the granting of a credit, amending loan conditions or initiating the debt collection process, are acting independently and impartially, as well as the Conflict of Interest Situations are managed in accordance with the Bank's "Procedure for Identifying and Managing Conflict of Interest Situations and Prevention of Corruption";
  - 4.4.2. An Employee or Official does not take part in making a decision on the granting a loan or amending loan conditions, or in assessing collateral, if:
    - 4.4.2.1. He or she has a personal (according to the definition of the term "Relative") or professional relationship with the Client outside the Bank/Commercial Company of the Group;
    - 4.4.2.2. He or she has an economic or other, direct or indirect, actual or potential, financial or non-financial, relationship with the Client;
    - 4.4.2.3. The Client has a political influence or a political connection with him/her;
    - 4.4.2.4. He or she has a Conflict of Interest Situation in relation to the security of the loan or its valuation.
  - 4.4.3. Conflict of Interest Situations involving cooperation partners engaged in credit-risk-related transactions (for example, collateral appraisers, external legal service providers, and others) are managed in accordance with the relevant internal regulatory documents of the Bank.
  - 4.4.4. The contract with the appraiser includes appropriate provisions ensuring that the appraiser performing the valuation of the respective collateral, as well as their first-degree relatives, meet the following requirements:
    - 4.4.4.1. they are not involved in reviewing the loan application, granting the loan, or administering it;
    - 4.4.4.2. their decision is not influenced by the borrower's creditworthiness;
    - 4.4.4.3. they have no conflict of interest related to the property being valued, the valuation process, or the valuation result;
    - 4.4.4.4. they are not persons related to the buyer or seller of the real estate.

## 5. MANAGEMENT OF CONFLICT OF INTEREST SITUATIONS

- 5.1. If a Conflict of Interest Situation cannot be avoided, the Bank/Commercial Company of the Group shall apply the following measures:
- 5.1.1. Apply the "Code of Corporate Ethics Standards" in its daily operations, by including its principles in the internal regulatory documents, and basing its activities on high standards of fairness and fair business, with due regard to its Clients, by ensuring that Employees and Officials comply with high standards of ethical behaviour in the performance of their duties;
  - 5.1.2. Ensure that the layout of workplaces of Employees provides for separation of information and limits the access of Employees to information prepared or processed by another Employee, the use of which may lead to a Conflict of Interest Situation;
  - 5.1.3. Establish restrictions on combining professional roles and commercial activities of Employees and Officials;
  - 5.1.4. Ensure such an organisational structure and distribution of responsibilities as to create environment for the prevention of Conflict of Interest Situations. These measures include separation of subordination, simultaneous and sequential involvement of a specific Bank Employee in the provision of individual Financial Services or processing activities;
  - 5.1.5. Provide for the separation of information processing activities and information flows to ensure that the provision of certain Financial Services and their processing activities are separate and that physical and logical barriers are created in the exchange of information which may lead to conflict of interests.
- 5.2. The Bank has developed and implemented the necessary procedures establishing:
- 5.2.1. The procedure for carrying out Personal Transactions of the Persons for the performance of Investment Services and Ancillary Investment Services, including information disclosure (reporting) requirements consistent with best practices, procedures for acceptance/authorisation of such transactions, possible restrictions on transactions with financial instruments;
  - 5.2.2. The procedure for gathering and updating information, ensuring the identification and management of Conflict of Interest Situations by ensuring that Employees and Officials provide information on themselves on a regular basis;
  - 5.2.3. Common principles for the Bank/Group for working with counterparties, selection of counterparties and working process, including the order of acceptance of Financial Transactions;
  - 5.2.4. The procedure for receiving outsourced services and initiating cooperation with outsourced service providers.
- 5.3. The Bank shall refuse to provide Financial Services to a Client where a Conflict of Interest Situation may threaten the reputation of the Bank/Group and the material interests of any Client.
- 5.4. The Bank/Commercial Companies of the Group shall refuse or terminate contractual relationship with a counterparty (including an outsourced service provider or an ICT service provider) where a Financial Transaction/Financial Service may threaten the reputation of the Bank/Commercial Company of the Group and the material interests of the Bank/Commercial Company of the Group.
- 5.5. In its daily economic activities the Bank/Commercial Company of the Group shall endeavour to avoid the occurrence of Conflict of Interest Situations, taking into account the principles set out in this Policy.
- 5.6. An essential tool for managing Conflict of Interest Situations is the Bank's "Remuneration Policy", setting out appropriate, proportionate and adequate principles for determining remuneration for the professional performance of duties of Employees/Officials in order to motivate Employees/Officials to avoid Conflict of Interest Situations and take the necessary steps to achieve the best results for the Client and the Bank/Group.
- 5.7. Measures to manage Conflict of Interest Situations with regards to Investment Services and Ancillary Investment Services include regular monitoring of transactions/Personal Transactions, not only with a view to identify unfair or manipulative transactions, but also to verify the transactions completed, to establish whether the best results have been achieved for the Client, whether the Client's wishes regarding sustainability have been taken into account, whether the transactions take into account the compliance of financial instruments with the interests of the Client, and whether the Client has been alerted about the inherent risks of the transaction, whether the information on Conflict of Interest Situations has been disclosed and measures taken to prevent risks and Conflict of Interest Situations.
- 5.8. An essential measure to manage Conflict of Interest Situations is disclosure of information on the nature and reasons for the Conflict of Interest Situation to the Bank's Clients prior to the commencement and delivery of Investment Services or Ancillary Investment Services. Responsible Bank Employees shall make sure that the Client is provided with comprehensive, objective and correct information about potential Conflict of Interest Situations.



## 6. DISCLOSURE OF CONFLICT OF INTEREST SITUATIONS TO CLIENTS IN PROVIDING INVESTMENT SERVICES OR ANCILLARY INVESTMENT SERVICES

- 6.1. If the organisational and administrative measures introduced by the Bank to prevent or manage Conflict of Interest Situations are not sufficient to ensure a sufficient degree of assurance that the risk to harm the Client's interests will be avoided, the disclosure of the Conflict of Interest Situation shall be implemented as the last-level protection measure.
- 6.2. A Bank Employee has an obligation to take measures to eliminate Conflict of Interest Situations. If the Conflict of Interest Situation is not rectified, the Bank Employee shall disclose to the Client, in the form to be maintained, the general nature and causes of the Conflict of Interest Situation, as well as the risks posed by the Client as a result of the Conflict of Interest Situation, and the measures taken to mitigate those risks, in order to enable the Client to take a decision that is appropriate to their interests.
- 6.3. If possible, the Bank Employee shall inform the Client about the possibility to withdraw from the transaction causing a Conflict of Interest Situation, the effect of which cannot be minimized in any other way.
- 6.4. The Bank shall document and keep records of Conflict of Interest Situations, including information on the types of notification of Conflict of Interest Situations and the content of the notification. The requirements for documenting and storing information are specified in the relevant internal regulatory documents of the Bank.
- 6.5. Employees of the Bank shall report on any identified current or potential Conflict of Interest Situation in accordance with the procedures specified in the internal documents.

## 7. DUTIES OF THE COUNCIL OF THE BANK, BOARD OF THE BANK AND OFFICIALS IN THE PREVENTION OF CONFLICT OF INTEREST SITUATIONS AND CORRUPTION

- 7.1. In fulfilling their official duties, Officials shall prevent the emergence of Conflict of Interest Situations and refrain from taking decisions on Bank/Group transactions in which a Conflict of Interest Situation arises or is likely to arise for that Official. The Bank has a reporting procedure in which Officials report on Financial Transactions or Financial Services in which a Conflict of Interest Situation arises or could arise directly or indirectly for him or her.
- 7.2. The Bank shall document any identified Conflict of Interest Situation with regard to the council and board of the Bank/Commercial Company of the Group and its members, both individually and collectively, as well as the measures intended to manage or rectify this situation.
- 7.3. Officials shall act independently in their decision-making (independence of mind) and solely in the interests of the Bank/Commercial Company of the Group, taking into account this Policy and the "Code of Corporate Ethics Standards".
- 7.4. When preventing Conflicts of Interest, Officials shall not participate in determining their remuneration.
- 7.5. To reduce the likelihood of Conflict of Interest Situations, only the fixed part of remuneration shall be determined for members of the council of the Bank/Commercial Company of the Group.
- 7.6. Within the framework of Policy management, the board of the Bank shall ensure and be responsible for identifying, preventing and managing Conflict of Interest Situations in the Bank/Commercial Company of the Group, maintaining and improving the necessary organisational structure and regulations, performing the following functions:
  - 7.6.1. Applying the principles of the policy for managing Conflict of Interest Situations defined by the Bank's council in the practical activities of the structural units of the Bank;
  - 7.6.2. Monitoring the identification and management process, approving the "Procedure for Identifying and Managing Conflict of Interest Situations and Prevention of Corruption";
  - 7.6.3. Assessing the information included in the operational compliance risk reports or in reports on the prevention of conflicts of interest and corruption;
  - 7.6.4. Managing Conflict of Interest Situations at the Bank/Commercial Company of the Group by implementing this Policy and the "Code of Corporate Ethics Standards";

- 7.6.5. Reviewing and assessing the Policy and the “Code of Corporate Ethics Standards” prior to their approval by the council of the Bank;
  - 7.6.6. Recruiting Bank Employees/persons performing basic functions with appropriate qualifications, good reputation and sufficient experience, and ensuring further training and improvement of the qualifications of Employees, including in matters of identification, control and management of Conflict of Interest Situations;
  - 7.6.7. Evaluating the outcomes of management of Conflict of Interest Situations in the Bank/ Commercial Companies of the Group, based on the information provided by CCD.
- 7.7. Within the framework of Policy supervision, the council of the Bank shall monitor how the board of the Bank ensures effective prevention and management of Conflict of Interest Situations and shall perform the following functions:
- 7.7.1. Supervising periodic improvement of the supervisory system in accordance with changes in the operation of the Bank/Commercial Companies of the Group and external conditions affecting the Bank’s activities;
  - 7.7.2. Establishing the distribution of responsibilities among the members of the board of the Bank and the procedures for the exchange of information between the board of the Bank and the council of the Bank regarding the issues of prevention and management of Conflict of Interest Situations;
  - 7.7.3. Defining and approving this Policy;
  - 7.7.4. Supervising the prevention and management of Conflict of Interest Situations in the Bank/ Commercial Companies of the Group, including conducting an assessment of the effectiveness of Conflict of Interest Situations management at least once a year;
  - 7.7.5. Defining and approving corporate values and standards of professional conduct and ethics in the regulatory document “Code of Corporate Ethics Standards”;
  - 7.7.6. Ensuring the management of Conflict of Interest Situations, prevention of Corruption, in general, by evaluating the information included in activity compliance risk reports or in reports on the prevention of conflicts of interest and corruption.

## 8. ANTI-CORRUPTION POLICY GUIDELINES

- 8.1. Managing and preventing Corruption in internal processes, the Bank has established the following principles of conduct:
- 8.1.1. The Bank/Commercial Company of the Group shall not financially support any political parties, political campaigns or politically exposed persons;
  - 8.1.2. The Bank/Commercial Company of the Group shall not use sponsorship for any activities that could have a negative impact on the reputation of the Bank/Commercial Company of the Group;
  - 8.1.3. The Bank shall exercise caution when participating in the marketing and training activities offered by Clients or partners;
  - 8.1.4. The Bank shall establish the minimum threshold for accepting material benefits and business entertainment from Clients, partners or third parties, other than the remuneration paid for Bank services;
  - 8.1.5. The Bank shall develop internal arrangements for Employees/Officials to report on benefits, gifts or services accepted from Clients, partners or third parties;
  - 8.1.6. The Bank shall define the following models of action:
    - 8.1.6.1. *Zero-tolerance* against giving or accepting any kind of benefit, bribery, gratitude, preference aimed at influencing decisions or actions of a person if the actions of the said person without bribery would be different;
    - 8.1.6.2. Prohibition for Employees/Officials and Persons Associated with the Management of the Bank to provide material benefits of any kind to officials and employees of state institutions, local government institutions and public persons in capital companies in order to influence their decisions and receive any orders or personal benefits;
    - 8.1.6.3. Prohibition of any manipulation with accounting data and records;
  - 8.1.7. When the information available to the Bank/Commercial Companies of the Group indicates corrupt behaviour by any current or potential Client, the Bank shall choose the most precautionary scenario and decide not to establish business relationship or to restrict services in accordance with the internal regulatory documents of the Bank.

## 9. TRAINING

- 9.1. An essential measure in the management of Conflict of Interest Situations and preventing Corruption is the providing professional training for Employees and Officials, during which the principles of ethical conduct, principles and measures for the prevention of Conflict of Interest Situations, measures to achieve the best results for the Client and the Bank’s position on the prohibition of Corruption, are explained to Employees and Officials.

- 9.2. The Bank, in accordance with the Bank's training plan, shall organise regular training of Employees and Officials:
- 9.2.1. To inform about the requirements of this Policy;
  - 9.2.2. To prevent Corruption in the performance of their duties and enable them identify potential and existing cases of Corruption in the activities of the Clients;
  - 9.2.3. To mitigate or prevent potential and existing Conflict of Interest Situations;
  - 9.2.4. To call for reporting on the cases referred to in the above paragraphs, to set out the reporting channels and responsible parties for assessment and processing of the reports, and the application of corrective or monitoring measures.

## 10. MONITORING, EVALUATION AND REPORTING

- 10.1. The Bank shall implement the monitoring of Conflict of Interest Situations by conducting regular surveys of Employees and Officials, evaluating the data received and conducting an assessment of situations in accordance with the internal regulatory documents of the Bank, as well as determining the obligation for the Persons to regularly provide information on Personal Transactions.
- 10.2. The Bank shall impose an obligation on Employees and Officials to immediately report any changes in the data provided in the questionnaires.
- 10.3. The Bank ensures that during the annual self-assessment of compliance risk in the Bank's processes, the overall level of operational compliance risk is assessed in relation to the process of identifying, preventing and managing Conflict of Interest Situations and Corruption in the Bank and the Group as a whole.

## 11. RESPONSIBILITIES

- 11.1. Officials and Employees shall be responsible for:
- 11.1.1. Timely familiarizing and complying with the current version of the Policy, participation in training on the prevention of Conflict of Interest Situations and Corruption;
  - 11.1.2. Prevention, detection and reporting of Corruption, avoiding any action resulting or potentially resulting in the violations of this Policy;
  - 11.1.3. For any Official or Employee who violates this Policy, the Bank shall carry out internal investigation. Penalty may be imposed in accordance with the procedures laid down in the internal regulatory documents of the Bank.
- 11.2. If there is suspicion or information regarding any alleged or actual violations of this Policy or the "Code of Corporate Ethics Standards", Employees or Officials shall have the possibility to raise an alarm in accordance with the procedures specified in the internal regulatory documents of the Bank.
- 11.3. For any Official or Employee who violates this Policy, the Bank shall carry out internal investigation; penalty may be imposed in accordance with the procedures laid down in the internal regulatory documents of the Bank.
- 11.4. Where there is information about any current or potential counterparties of the Bank/ Commercial Company of the Group (including outsourced service providers or ICT service providers) who violate or do not comply with this Policy, the Bank/Commercial Company of the Group shall have the right not to initiate or terminate such contractual relationship.

## 12. POLICY UPDATE

- 12.1. The Policy shall be updated in compliance with the measures of the internal control system and in accordance with the amendments to the regulatory enactments, not less than once a year.
- 12.2. The board of the Bank has the right to make amendments to the Policy and to submit proposals to the council of the Bank regarding the amendments made.
- 12.3. The Council shall review the Policy at least once a year, assessing its relevance and approving it.
- 12.4. The updated Policy shall be published on the Bank's website and shall be effective from the date of publication.