

Conflict of Interest Prevention Policy in Investment Area

PO0028

Citadele

Publicly available document

Accepted by	Decision No 5/74/2022 of the Management Board of AS Citadele banka, dated 22 November 2022
Approved by	Resolution No 9/19/2022 of the Supervisory Board of AS Citadele banka, dated 14 December 2022
Version 6.0	Effective date: 14 December 2022

Monitoring of document

Version	Effective date	Amendments	Number of pages
6.0	14 December 2022	Name of the Policy changed, amendments in Section 'Purpose of document', 'Scope of validity', 'Terms', amendments in Clause 1.2, 1.3.5, 2.1, 4.3 and 5, the table summarizing conflict-of-interest situations and arrangements for their management supplemented (new Clause 6.4.1.1, 6.13, 6.15), new Clause 7.8, minor editorial changes and numbering changes throughout the document	9

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I Organizational and administrative provisions

Purpose of document

The objective of the Policy is as follows:

- to ensure protection of Clients' interests in course of providing Investment services;
- to identify situations that cause or may cause a Conflict of interest, creating a significant threat or injury to the interests of one or several Clients, specify arrangements for the prevention and management of Conflict-of-interest situations, and to prevent or diminish Conflicts of interest and their adverse effects;
- to manage Conflicts of interest arising from the custodian bank tasks and a group link between entities involved in the custody and management of Funds, Pension plans and insurance-based investment products.

Scope of validity

The Policy refers to all Group entities rendering Investment services as far as this does not contradict to the laws and regulations of the country of domicile of the Group entity. The Policy does not apply to Switzerland subsidiary of the Group due to different country legislation requirements.

If required, a Group entity draws up the policy in line with the requirements of the country legislation applicable to the respective Group entity, which shall be approved by the Compliance Division of the Bank.

If a Group entity is planning to use services of a tied agent, it should obtain the approval of the Compliance Division of the Bank and introduce respective procedures and measures with the aim to ensure effective supervision of compliance of the professional activity of the tied agent.

If the Group entity takes the respective decision, then as far as practicable, the measures and principles of Conflict-of-interest identification, prevention and management as outlined in this Policy are applicable to the Group entity engaged in management of Investment funds, Pension plans and insurance-based investment products.

Terms

Bank – AS Citadele banka.

CBLAM – IPAS 'CBL Asset Management', which is a Group entity.

Client – a legal person or a private individual (incl. Funds, Pension plans) to whom the Group entity is rendering Investment services.

Conflict of interest – circumstances in which several persons are in a position to derive personal benefit from actions or decisions made in their official capacity while rendering Investment services or activities with respect to the management or custody of Funds/Pension plans or in relation to insurance-based investment products.

Employee - an employee of Group entity or other private individual involved in the provision of Investment services and controlled by the Group entity.

FCMC – Financial and Capital Market Commission of the Republic of Latvia.

Financial instruments / FI – financial instruments prescribed by the Financial Instruments Market Law of the Republic of Latvia.

Group / Group entity – the Bank and its domestic and foreign subsidiaries which provide Investment services to Clients or manage Funds/ Pension plans/ insurance-based investments.

Inducements – fees, commission fees, other monetary and non-monetary benefits, which the Group entity is paying or being paid or providing or being provided from the third parties in course of rendering Investment services to the Clients.

Investment fund / Fund – investment fund or alternative investment fund, which has chosen the Bank to perform functions of a custodian bank, or which has been established/ managed by a Group entity.

Investment service – investment service or ancillary service provided by any of Group entities.

Pension plan – a state-funded or private pension plan, which has chosen the Bank to perform functions of a custodian bank, or which has been established/managed by a Group entity.

Person discharging managerial responsibilities / PDMR – Group entity's Chairman of the Supervisory Board, Chairman of the Management Board, Members of the Supervisory Board, Members of the Management Board, or other person, who is not a member of bodies referred, but who takes significant decisions on behalf of Group entity creating civil obligations thereto (incl. procura holders).

Personal transaction – a transaction with FI, concluded by or on behalf of an Employee / PDMR, if at least one of the following criteria is met:

- the transaction is carried out outside the scope of the professional capacity of an Employee/ PDMR;
- the transaction is carried out for the account of an Employee/ PDMR;
- the transaction is carried out for the account of any person with whom an Employee / PDMR has a family relationship, or with whom he/she has close links;
- the transaction is carried out for the account of a person in respect of whom an Employee / PDMR has a direct or indirect material interest in the outcome of the transaction, other than obtaining a fee or commission for the execution of the transaction.

Policy – this policy PO0028 'Conflict of Interest Prevention Policy in Investment Area'.

Other terms used herein are understood as they are defined by the Markets in Financial Instrument Directive ('MiFID' II) delegated acts

II Body of document

1. Main principles of the Policy

- 1.1. The Policy is drafted in accordance with the requirements of Financial Instruments Market Law of the Republic of Latvia. The Policy regulates the prevention and management of Conflict of interest that may arise in the course of rendering the following Investment services:
 - 1.1.1. Investment services rendered by the Bank:
 - 1.1.1.1. orders receipt in relation to one or more FI and their transfer for further execution;
 - 1.1.1.2. execution of orders on behalf of Clients;
 - 1.1.1.3. dealing on own account.
 - 1.1.2. Investment services rendered by CBLAM:
 - 1.1.2.1. portfolio management;
 - 1.1.2.2. investment advice.
 - 1.1.3. Ancillary services rendered by the Bank:
 - 1.1.3.1. safekeeping and administration of FI;

- 1.1.3.2. foreign exchange services where these are connected to the provision of Investment services.
- 1.1.4. Ancillary services rendered by CBLAM - safekeeping and administration of FI only in regard to CBLAM Funds and using for this purpose nominee account in the Bank. The service is provided to eligible counterparties only.
- 1.2. The Policy also regulates the prevention and management of Conflict of interest arising from custodian bank tasks conducted by the Bank and a group link between entities involved in custody and management of Funds/ Pension plans/ insurance-based investment products as stipulated by the following scope of legal acts of the Republic of Latvia: Law on Investment Management Companies, Law on Alternative Investment Funds and their Managers, Law on State Funded Pensions, Law on Private Pension Funds, Commission Delegated Regulation (EU) 2016/438.
- 1.3. The prevention and management of Conflict of interest is performed in view of the following possible situations, where an Employee / PDMR/ Group entity:
 - 1.3.1. is likely to make a financial gain, or avoid a financial loss, at the expense of the Client.
 - 1.3.2. has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
 - 1.3.3. has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of another particular client;
 - 1.3.4. carries on the same business as the Client;
 - 1.3.5. benefits from selling certain FI or certain insurance-based investment products to Clients, including when the Group entity itself has been an issuer of FI;
 - 1.3.6. receives or will receive from a person other than the Client an Inducement in relation to a service provided to the Client, in the form of monetary or non-monetary benefits or services, which is not considered as a regular fee for the service;
 - 1.3.7. in regard to Funds and Pension plans has an interest to act in favour of the Group to the detriment of the Fund/ Pension plan and its investors/ participants.
- 1.4. Each Group entity implementing the provisions of the Policy takes into account the scope of services it provides in light of their specific characteristics and features. The Group entity may develop its own respective policy or rules in line with the principles specified in this Policy. Group entities may draw up internal regulations for the purpose of production, dissemination and record keeping of marketing communication within the Investment services area.
- 1.5. Group entities may draw up and make publicly available reports and other documents containing information about prevention and management of Conflict-of-interest situations.

2. Identifying the types of Conflict of interest

- 2.1. The Conflict of interest may arise:
 - 2.1.1. between a person who has direct or indirect control over Group entity and a Client;
 - 2.1.2. between Clients of the Group;
 - 2.1.3. between a Client and an Employee / PDMR;
 - 2.1.4. between the Fund or Pension plan, its investors/participants and the Group entity;
 - 2.1.5. between an Employee / PDMR and Group entity;
 - 2.1.6. between Group entities;
 - 2.1.7. between a Client and Group entities;
 - 2.1.8. in regard to sustainability (environmental, social and governance) factors and engagement policies.

3. General provisions

- 3.1. A Group entity in-line with its size and organization as well as the nature, scale and complexity of its business shall establish, implement and maintain necessary measures to identify and mitigate Conflict of-interest risks that may arise while rendering Investment services.
- 3.2. By establishing the procedures and measures for Conflict of interest mitigation, a Group entity shall ensure that they are proportionate to the damage to the interest of the Clients.
- 3.3. A Group entity shall establish such an internal organizational structure, which shall reduce the likelihood of Conflict of interest occurring.
- 3.4. Group entities' units carrying out activities that may result in Conflict-of-interest situations shall operate independently and functionally separate from each other (e.g., different organizational subordination, information barriers).
- 3.5. Employees performing supervisory functions over duties of another Employees or units are not permitted to be involved in the provision of Investments services they supervise.
- 3.6. Employees providing Investment services or manufacturing of FI possess the necessary knowledge and competence to fulfil their duties. Additionally, the Group entity shall ensure, that only those Employees or persons, who possess the necessary knowledge and competence shall be eligible to provide Investment services or information about FI to Clients.
- 3.7. If a Group entity is offering FI issued by itself or by another Group entity to its own Clients, clients of the Bank, Funds or Pension plans, and is unable to manage in an appropriate manner the Conflict-of-interest situations that arise in relation to this type of activity, the Group entity shall consider refraining from engaging in this activity so as to prevent any adverse effects on its Clients.
- 3.8. If a Group entity, in the course of providing Investment services, distributes or recommends FI that are not manufactured by itself, then it shall obtain from the manufacturer the information to gain the necessary understanding and knowledge of the FI it intends to distribute or recommend in order to ensure that this FI will be distributed in accordance with the needs, characteristics and objectives of the identified target market. If required, the Group entity shall draw up necessary arrangements that regulate FI distribution.

4. Restrictions on undertaking Personal transactions with FI

- 4.1. An Employee / PDMR is prohibited from the following:

- 4.1.1. undertaking a Personal transaction on the basis of inside information he / she may possess as a result of a normal course of the employment within a Group entity;
- 4.1.2. undertaking a Personal transaction by using or inappropriately disclosing confidential information;
- 4.1.3. undertaking a Personal transaction, which conflicts or is likely to conflict with the state legislation applicable to a Group entity or with internal rule of a Group entity;
- 4.1.4. undertaking a Personal transaction on the basis of misuse information about unexecuted or pending Client orders, or other confidential information relating to Clients or transactions with or for Clients;
- 4.1.5. advising a third party to make a transaction in FI that would be a Personal transaction of the advising person to which any of the above-mentioned restrictions (Clause 4.1.1 - 4.1.4) apply (except where a transaction has been made by performing job or professional duties);
- 4.1.6. disclose information to a third party or express an opinion where the person disclosing information knows or ought to have known that as a result of the disclosed information the third party will make or is likely to make or advise another person to make a transaction in FI that would qualify as a Personal transaction to the person disclosing information and to which the restrictions set out in Clauses 4.1.1 – 4.1.4 apply, except where information has been disclosed in the normal course of employment.
- 4.2. An Employee / PDMR shall notify the respective Group entity about Personal transactions undertaken according to the rules established by the Group entity.
- 4.3. A Group entity may draw up internal rules prescribing a permission to be issued by a Group entity to an Employee / PDMR for the execution of a Personal transaction and maintain lists of restricted Financial Instruments ('restricted lists') binding on Employees. If applicable, the permission shall be issued by capital markets compliance officer within the respective Group entity. If a permission for Personal transaction execution is necessary, the information in regard to issued or rejected permissions shall be duly recorded and kept.
- 4.4. Clauses 4.2 – 4.3 of this Policy are not applicable in the following cases, where:
 - 4.4.1. a Personal transaction has been undertaken as part of discretionary portfolio management where there is no prior communication in regard to the transaction between portfolio manager and an Employee / PDMR or any other person on whose behalf the transaction has been undertaken;
 - 4.4.2. a Personal transaction has been executed with undertakings for collective investments in transferable securities (UCITS) or alternative investment fund units subject to supervision by European Union laws and regulations, which require equal risk allocation among the fund's assets provided that an Employee / PDMR or another person on whose behalf the transaction has been undertaken are not involved in the management of that undertaking.
- 4.5. Rules prescribing conditions for Personal transactions of Employees / PDMRs and compliance monitoring thereof are stipulated within internal procedures drafted in line with this Policy.
- 4.6. A Group entity shall establish and maintain record-keeping of Personal transactions.
- 4.7. The records of Personal transactions shall contain data about the Personal transaction that have been provided by an Employee / PDMR or revealed during monitoring process.

5. Inducements

- 5.1. CBLAM shall draw up internal procedures to ensure compliance with the requirements in regard to paying or being paid Inducements (monetary and non-monetary benefits received from or paid to third parties) and information disclosure thereof to Clients. This internal procedure shall be subject to submission to the Compliance Division of the Bank.
- 5.2. The Bank is not permitted to pay / receive Inducements to / from third persons in course of rendering Investment services, except in cases described in Clause 5.4.
- 5.3. If the Bank intends to pay / receive Inducements to / from third persons in course of rendering Investment services, the Bank shall draw up internal procedure to ensure compliance with the requirements in regard to Inducements being paid or received and information disclosure thereof to Clients. This procedure is subject to the approval by the Compliance Division of the Bank. As long as requirements of this Clause are not fulfilled, it is prohibited to pay or receive any kind of Inducements (including non-monetary and minor non-monetary benefits).
- 5.4. Inducements shall be considered acceptable only if the requirements set out below are met at all times:
 - 5.4.1. they are justified by the provision of an additional or higher-level service to the Client, proportional to the level of Inducements received;
 - 5.4.2. they shall not impair Bank's duty to act honestly, fairly and professionally in accordance with the best interests of the Client;
 - 5.4.3. they do not directly benefit the Bank – the recipient, its shareholders or employees without tangible benefit to the relevant Client;
 - 5.4.4. they are justified by the provision of an on-going benefit to the relevant Client in relation to an on-going Inducement.
- 5.5. Inducements shall not be considered acceptable if the provision of relevant Investment service to the Client is biased or distorted as a result of Inducement.
- 5.6. The Bank shall disclose to the Client in a full and comprehensive way as prescribed by the applicable law any Inducement received from or paid to third parties in the course of rendering Investment services.
- 5.7. The Bank shall not receive Inducements for routing Client orders to a particular trading venue or execution venue.
- 5.8. CBLAM is prohibited from accepting and retaining third party Inducements in relation to the provision of portfolio management and / or independent investment advice to Clients. Any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party are allocated and transferred to each individual Client as soon as practically possible.
- 5.9. CBLAM shall not accept non-monetary benefits that do not qualify as acceptable minor non-monetary benefits in accordance with applicable law.

6. Identified conflict-of-interest situations and arrangements for their management

Potential Conflict – of – interest situations		Arrangements for the prevention and management of the Conflict of interests
6.1.	The Bank executes orders to buy/sell FI on behalf of more than one Client at the same time	6.1.1. The Bank shall: 6.1.1.1 execute orders of retail and professional Clients in line with the Order Execution Policy prescribing rules for the achievement of best possible results for Clients; 6.1.1.2 keep records on receipt and execution of orders that allow verifying compliance thereof.
6.2.	Client's orders are executed against the Bank's portfolio (i.e. when the Bank itself is a party to the Client's transaction in FI)	6.2.1. The Bank shall ensure that: 6.2.1.1 Employees who execute Clients' orders are not involved in decision-making in any way related to the proprietary trading activities of the Bank; 6.2.1.2 orders are executed at the price that reflects the dominating market conditions and the Bank is considered as order execution venue (Clients should be informed thereof in order execution reports); 6.2.1.3 the Order Execution Policy, specifying order execution conditions, order execution venues for different FI categories and best execution achievement, is observed.
6.3.	The Bank executes Client's limit orders to buy/sell debt securities at a better price than the price specified in the order and may retain mark-up	6.3.1. The Bank: 6.3.1.1 shall observe the Order Execution policy for the best possible results achievement; 6.3.1.2 may retain partly the difference between the limit price and actual execution price only upon the condition, that the Client has been informed thereof before the service was provided; 6.3.1.3 is prohibited to retain mark-up when a limit order to buy/sell debt securities was submitted by the Group entity on behalf of Funds/Pension plans/Clients.
6.4.	An Employee / PDMR executes or is planning to execute a Personal transaction on the bases of inside information about the Client, its financial position, other confidential information about Clients, FI issued by Clients or Client's orders; or suggests other person to execute such transaction, or holds FI issued by Clients	6.4.1. The Group entities rendering Investment services shall: 6.4.1.1 ensure that relevant persons do not enter into a Personal transaction that is prohibited under the Market Abuse Regulation 6.4.1.2 establish rules and, if necessary, restrictions for execution of Personal transactions, inform persons concerned and monitor compliance thereof; 6.4.1.3 ensure separate supervision of Personal transactions of those Employees, whose principal functions involve carrying out activities on behalf of, or providing Investment services to Clients, and/or represent interests of a Group entity, which may create a Conflict of interest that encourages them to act against the interests of any of the Clients; 6.4.1.4 maintain list of Employees / PDMRs and FI where a Conflict of interest may potentially arise. 6.4.2. Employees shall not exchange information about Clients and their planned or submitted orders with other Employees / PDMRs / business units if such exchange of information may harm the interests of the Clients.
6.5.	Group entity is interested in distribution FI issued by itself or other Group entity to its Clients and Funds / Pension plans under its management, e.g. with the aim to earn more commissions or act in the interests of the Group and not in the best interests of the Client	6.5.1. Group entities shall: 6.5.1.1 remove a direct link between the remuneration and income gained by Employees whose principal functions involve carrying out activities on behalf of, or providing Investment services to Clients; 6.5.1.2 require that only those employees who have necessary knowledge and competence may provide information about FI and Investment services to Clients; 6.5.1.3 identify at a granular level both the target market and the distribution strategy of FI and investment products, where a conflict of interest persists; 6.5.1.4 refrain from the activity in case it is unable to properly manage the Conflict of interest. 6.5.2. CBLAM: 6.5.2.1 provides portfolio management in line with the investment policy agreed with the Client. If CBLAM intends to include Funds under its management or FI issued by a Group entity in the Client's portfolio, the Client shall be duly informed, including about such eventual conflict of interest and possible investment alternative; 6.5.2.2 is prohibited to conclude subsequent buy / sell transactions where there is no good reason to do so (e.g. observation of limits, redemption etc.); 6.5.2.3 may include Funds under its management or FI issued by a Group entity in the assets of a Fund / Pension plan only if such type of investment is prescribed by the prospectus of this Fund / Pension plan. Information on the source of a Conflict of interest shall be properly disclosed (e.g. in the investment policy of relevant Fund / Pension plan that is available to investors). 6.5.3 Employees / PDMRs:

Potential Conflict – of – interest situations	Arrangements for the prevention and management of the Conflict of interests
	<p>6.5.3.1 of the Bank are prohibited to provide any opinion in regard to transactions in FI issued by the Group entity or any other issuer.</p> <p>6.5.3.2 of CBLAM who take investment decisions on behalf of Clients may not be involved in the Funds' marketing.</p>
<p>6.6. Group entity offers to its own Clients or existing depositors of the Bank FI / eligible subordinate liabilities that will be included in the calculation of prudential requirements of the Group entity - credit institution/ investment firm</p>	<p>6.6.1. Group entities shall:</p> <p>6.6.1.1 avoid active offering or recommending such FI to Clients;</p> <p>6.6.1.2 pay special attention when retail Clients wish to subscribe for such FI (e.g. within initial offering). Where required by applicable law, the assessment of suitability of such investments for retail Clients shall be performed, and limits regarding portfolio amount shall be observed.</p> <p>6.6.1.3 provide Clients additional information explaining the differences between the FI and deposits placed with credit institutions in terms of yield, risk, liquidity and any protection provided by the law.</p> <p>6.6.2 CBLAM while rendering portfolio management may include such FI (not applicable to the Funds) in the Client's portfolio in line with the Client's investment policy if it was requested by the Client, considering the specific risk associated with such FI.</p>
<p>6.7. Group entity receives / pays Inducements in the course of rendering Investment services</p>	<p>6.7.1. No Group entity is allowed to receive / pay Inducements in the course of rendering Investment services if the Inducements do not enhance the quality of services to Clients. Additional arrangements are stipulated in Clause 5 of this Policy.</p>
<p>6.8. FI manufactured by Group may adversely affect Clients or the Group entity may benefit from poor outcome of FI or investment products</p>	<p>6.8.1. By manufacturing FI the Group entity shall assess whether the FI might create a situation where potential end-clients are adversely affected. As well as CBLAM regularly assess whether the FI costs and charges are compatible with the needs, objectives and characteristics of the target market and the whether the charges do not undermine the product's return expectations. Group entities shall avoid remuneration practices that might encourage Employees to act against best interests of Clients. Additional arrangements are prescribed in PO0036 'Product Governance Policy in Investment Area'.</p>
<p>6.9. Investment research production</p>	<p>6.9.1. No Group entity produces investment research.</p>
<p>6.10. A Group entity receives from third party investment research</p>	<p>6.10.1. A Group entity may receive investment research produced by the third party in return of direct payments by Group entity out of its own resources without applying any fees to the Clients. This investment research may be used for the purposes of Group entity or might be disseminated to particular Clients per their request only. No receipt of free of charge investment research is allowed. A Group entity is prohibited to claim that the investment research produced by the third party was produced by the Group entity.</p>
<p>6.11. Dissemination of investment research to Clients</p>	<p>6.11.1. Investment research may be disseminated to particular Clients only upon their permission. Before the dissemination of investment research, Employees other than financial analysts, whose principal functions involve carrying out activities on behalf of Clients, are not permitted to review, amend or provide any comments to the investment research.</p>
<p>6.12. Conflicts of interest situations that may arise from the custodian bank tasks performed by the Bank, and where the Bank and the manager of Funds / Pension plans are related persons, including where Group entity:</p> <ul style="list-style-type: none"> - has an interest in unreported irregularities to the competent authorities about any kind of breaches in the Funds / Pension plans management process to avoid bad reputation for the Group, - is likely to be interested to avoid use legal measures against each other; - allows biased selection of the custodian bank of the Fund; 	<p>6.12.1. The Bank:</p> <p>6.12.1.1 has functionally and hierarchically separated safekeeping functions from other functions where a conflict of interest may arise, including order execution;</p> <p>6.12.1.2 by providing custodian bank services, the Bank acts honestly, fairly, professionally, independently from CBLAM (or third-party Fund / Pension plan management company) and in the interests of Funds and their investors / Pension plans and their participants solely;</p> <p>6.12.1.3 is not allowed to apply lower standards regarding any of Clients, Funds / Pension plans.</p> <p>6.12.2. The CBLAM by taking decision about choice of a custodian bank for Funds under its management shall ensure evaluation of reputation, price, financial standing and quality of services. A group link cannot serve as a single criterion for choice of custodian bank.</p> <p>6.12.3. Safekeeping functions and management of Funds / Pension plans are mutually independent processes and are carried out in the interests of Funds and their investors / Pension plans and their participants solely. Those processes are supervised independently from each other.</p> <p>6.12.4. Management Board members of the Bank are prohibited from carrying out Management Board member functions of CBLAM (or third-party Fund / Pension plan management company) or to be employed by CBLAM (or third-party Fund/ Pension plan management company). The same prohibition applies to CBLAM' Management Board members.</p> <p>6.12.5. PDMRs of the Bank and CBLAM (or third-party Fund/Pension plan management company) carry out their function mutually independently.</p>

Potential Conflict – of – interest situations		Arrangements for the prevention and management of the Conflict of interests
	- pays lower attention to the Bank's solvency or applies lower standards in asset safekeeping	<p>6.12.6. Employees:</p> <p>6.12.6.1 of the Bank engaged in safekeeping services may not be at the same time employed by CBLAM or engaged in a management body of the Fund / Pension plan management company; and shall be removed from the supervising transactions executed by Fund / Pension plan manager if a business or family relationship exists between this Employee and the Fund or Pension plan manager;</p> <p>6.12.6.2 of CBLAM engaged in the management of Funds / Pension plans are not employed by the Bank.</p> <p>6.12.6.3 may report (including anonymously) if he/she notices any irregularity, breach, Conflict of interest situation according to P00017 'Code of Ethics', including by reporting breaches in the Fund / Pension plan management / custody directly to the competent authority;</p> <p>6.12.6.4 should not disclose information to other structural units where disclosure of such information may create a Conflict of interest.</p>
6.13.	The Group entity that is established as a private pension fund, the manager of its Pension plans and/or the custodian bank and/or the employer that makes payments in the Pension plan are related persons. The Group entity provides inappropriate pension savings products (private pension Co-Investment program) with an investment policy, costs and charges that is in contradiction with other pension plan's participants interests or interests of Group employees.	<p>6.13.1. Group entity that has been established as a private pension fund shall develop the policy for the prevention of conflict of interests on actions to be taken for the prevention of conflict of interest situations in line with the Law on Private Pension Funds of the Republic of Latvia.</p> <p>6.13.2. Employees of the Bank and CBLAM who carries out the functions in relation to the performance of the contracts for the management or custody of the private Pension plan's assets may not be an employee of the private pension fund.</p> <p>6.13.3. Upon fulfilling the obligations specified in the Law on Private Pension Funds, the private pension fund, CBLAM and the Bank shall act fairly, professionally, independently and only in the interests of the private Pension plan participants and the beneficiaries of the supplementary pension.</p> <p>6.13.4. The pension fund shall ensure that potential Conflicts of interest are identified, managed, and supervised in conformity with this Policy, P00017 Code of Ethics, the policies and procedures of the pension fund, it has been specified in the Pension plan and Pension plan participants, beneficiaries of the supplementary pension, the Management Board, the Supervisory Board and employees of the pension fund have been informed thereof.</p> <p>6.13.5. Regarding the Co-Investment program the pension fund shall identify Conflicts of Interest between Group entities.</p>
6.14.	Group entity exercises the shareholder rights in the management of stock companies/inherent voting rights in shareholder meetings of Funds under its management and/or exercises those rights against prudent engagement, environmental, social and governance practices	<p>6.14.1. CBLAM shall identify Conflicts of interest that may arise from the environmental, social and governance factors (ESG) and engagement, especially regarding exercising the voting rights in shareholders meetings of stock companies.</p> <p>6.14.2. PDMRs engaged in decision making process in shareholders meetings shall adhere to the basic engagement principles and should consider ESG factors. Once per year CBLAM shall publicly disclose information explaining the most important voting decisions. If necessary, material decisions are escalated to the level of the senior management.</p> <p>6.14.3. CBLAM shall not support decisions that increase ESG risks, in line with internal procedures for the prevention, management and disclosure of this type of Conflict of interests.</p>
6.15.	CBLAM uses 'greenwashing' while providing it's services (Fund management, portfolio management including Pension fund, insurance-based investments, investment advice)	<p>6.15.1. CBLAM shall:</p> <p>6.15.1.1 identify Conflicts of interest that may arise from the environmental, social and governance factors (ESG) and engage to decrease mislabelling and misselling risks;</p> <p>6.15.1.2 provide clear and understandable information to clients about ESG engagement and report to the responsible authorities.</p>

7. Final provisions

- 7.1. Each Group entity shall establish organizational structure responsible for compliance control over Investment services rendered by the Group entity.
- 7.2. Once a year the aforementioned compliance officers submit to the Compliance Division of the Bank a report about identified and potential Conflict-of-interest situations. If no such situations were detected, the Compliance Division of the Bank shall be informed hereof accordingly.
- 7.3. Each employee of the Group entity is obliged to inform his / her direct manager on each identified and / or potential Conflict of interest. Direct manager submits the received information to the respective unit responsible for compliance control over Investment services. The responsible person of this unit forwards the received information to the Compliance Division of the Bank.

- 7.4. If reporting to the direct manager in course of Clause 7.3 of this Policy is not possible or advisable, the employee informs on identified and / or potential Conflict of interest only the unit responsible for compliance control over Investment services. Alternatively, the employee may submit such information in accordance with PO0017 'Code of Ethics'. This information shall be subject to submission to Compliance Division of the Bank.
- 7.5. If organizational and administrative arrangements established by a Group entity to prevent or manage Conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Clients will be prevented, before the provision of a service Group entity is obliged to make disclosure to the Client. The disclosure shall state and include:
 - 7.5.1. that the organizational and administrative arrangements established by Group entity to prevent or manage Conflict of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented;
 - 7.5.2. specific description of the Conflict of interest that arise in the provision of Investment services to the relevant Client;
 - 7.5.3. general nature and source of Conflict of interest, as well as the risks to the Client that arise as a result of the Conflict of interest and the steps undertaken to mitigate these risks.
- 7.6. The information referred to Clause 7.5 shall be provided in a durable medium with clear, fair and accurate information in sufficient detail to enable the Client to take an informed decision with respect to the Investment service in the context of which the Conflict of interest arises.
- 7.7. Group entities shall keep and regularly update a record of the relevant Investment services carried out by or on behalf of the Group entity in which a Conflict of interest entailing a risk of damage of interests of one or more Clients has arisen or may arise. The Compliance Division of the Bank shall ensure that the Management Board of the Bank regularly and at least once a year receives written reports on situations referred to in this Clause.
- 7.8. Responsibilities and controls:
 - 7.8.1. The Bank's Supervisory Board approves the Policy and ensures the overall oversight of the Conflict-of-interest prevention process.
 - 7.8.2. The Management Board of the Group entity:
 - 7.8.2.1. ensures conflict of interest management through implementation of the policy inter alia approving adequate internal rules;
 - 7.8.2.2. ensures effective control over the conflict-of-interest management.
 - 7.8.3. The Group entity's heads of units where daily business is conducted (e.g. the Financial Markets Division of the Bank and other respective units):
 - 7.8.3.1. ensure that the management body's decisions are implemented;
 - 7.8.3.2. identify conflicts-of interest situations that may arise within the unit and report to the Compliance department of the Group entity;
 - 7.8.3.3. take the necessary measures making unit employees comply with the principles defined at management body level.
 - 7.8.4. The Group entity's Compliance department:
 - 7.8.4.1. informs relevant Employees on binding rules and restrictions regarding the Conflict-of-interest prevention, mitigation and market abuse prevention;
 - 7.8.4.2. monitors Personal transactions and related record keeping;
 - 7.8.4.3. maintains 'restricted lists' of FI;
 - 7.8.4.4. reports to the management about Conflict-of-interest situations (if any) that are detrimental for Clients, at least annually.
 - 7.8.5. Employees comply with binding restrictions.
- 7.9. The Policy shall be regularly updated on at least annual basis. Group entities regularly (at least on annual basis) shall update their internal procedures regulating management and prevention of Conflict of interest in course of rendering Investment services.
- 7.10. The full version of the Policy is available on the web page of the Bank.
- 7.11. The breaches of this Policy rules and punishment hereof shall be investigated and applied as per the same procedure as for breach of any other Bank's internal rules in accordance with PO0017 'Code of Ethics' and other internal rules regulating identification and investigation of the breaches of internal rules.
- 7.12. Measures on prevention and management of Conflict of interest related to gifts or gratitude are regulated by PO0017 'Code of Ethics'.

III Annexes and related documents

8. Annexes

- 8.1. None.

9. Related documents

- 9.1. Financial Instrument Market Law of the Republic of Latvia.
- 9.2. Law on State Funded Pensions of the Republic of Latvia.
- 9.3. Law on Investment Management Companies of the Republic of Latvia.
- 9.4. Law on Private Pension Funds of the Republic of Latvia.
- 9.5. Law on Alternative Investment Funds and their Managers of the Republic of Latvia.
- 9.6. 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 organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

- 9.7. Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.
- 9.8. FCMC Regulation No 218 'Regulation on product governance requirements for investment products' of 4 August 2020.
- 9.9. PO0017 'Code of Ethics'.
- 9.10. PO0029 'Anti – Corruption Policy'.
- 9.11. PR0311 'Execution and Monitoring of Personal Transactions in Financial Instruments'.
- 9.12. IN0173 'Performance and Control of Transactions with Financial Instruments Issued by AS Citadele banka'.
- 9.13. PO0005 'Order Execution Policy for Investment Services'.
- 9.14. PO0036 'Product Governance Policy in Investment Area'.