

POLICY OF AVOIDING CONFLICTS OF INTEREST IN PROVIDING INVESTMENT SERVICES

1. GENERAL PROVISIONS

1.1. The purpose of the Policy of Avoiding Conflicts of Interest in Providing Investment Services (hereinafter referred to as the "Policy") is to define the circumstances that cause or may cause a Conflict of Interest, which would pose a threat to or violate the interests of one or more Clients. This Policy also provides for the measures used to avoid a Conflict of Interest and, in case of such Conflict, the actions of the Bank taken to manage Conflicts of Interest. The provisions of the Policy shall apply with regard to Bank Clients, who are provided investment and/or ancillary services.

1.2. Terms and definitions used in the Policy:

- **Personal Transaction** means a transaction in a financial instrument effected by or on behalf of a Relevant Person or the Bank and meeting at least one of the following conditions: the transaction is carried out for the account of the Relevant Person, the Bank or any person with whom the Relevant Person has a family relationship or with whom he/she has close links, or for the account of a person whose relationship with the Relevant Person or the Bank is such that the Relevant Person or the Bank has direct or indirect material interest in the outcome of the transaction, other than a fee or a commission for the execution of the transaction.
- **Conflict of Interest** means a situation or circumstances where a person or several persons can make a personal gain through performance of their work-related actions/functions or decisions made. Such situation may arise between Citadele bank AB branches, companies in Citadele Group (hereinafter referred to as the "Group"), including the employees of such companies, the persons directly or indirectly controlling the Group, between a Client and a particular employee or between Clients of individual companies of the Group.
- **Client** means any natural or legal person to whom the Bank provides investment and/or ancillary services.
- **Relevant Persons** means members of the Bank's Supervisory Board, Head of the Administration, Members of the Board, Head of the Internal Audit Department, Head of the Operational Risk Management Department, persons having a qualifying holding of the authorized capital and/or voting rights in the company, and any other person involved in the Bank's provision of investment services or conducting investment activity, provided such services are provided on behalf of the Bank and are controlled by them. Also, a person with whom a Relevant Person has a family relationship (any of the following persons): the spouse or partner of the Relevant Person; a child or stepchild of the Relevant Person; any other relative of the Relevant Person who has shared the same household with the Relevant Person for at least one year on the date of the Personal Transaction concerned.

Other terms referred to in this Policy are used in the meaning defined in the legislation regulating the activity of banks and financial institutions.

2. SITUATIONS THAT CAUSE OR MAY CAUSE A CONFLICT OF INTEREST

- 2.1. Situations that may give rise to risk of a Conflict of Interest:
- The Bank or a Relevant Person is likely to make a financial gain or avoid a financial loss at the expense of the Client;
 - The Bank or a Relevant Person have an interest distinct from the Client's interest in the outcome;
 - The Bank or a Relevant Person has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client;
 - The Bank or a Relevant Person carries on the same business as the Client;
 - The Bank or a Relevant Person 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 monies, goods or services, other than the standard commission or fee for that service;
- 2.2. The Bank has identified the following practical areas in which Conflicts of Interest could arise (the list is not exhaustive):
- Providing information to Clients on issues related to investment in financial instruments;
 - Trading in financial instruments for the account of the Client; for the account of the Bank; for the account of the employees of the Bank, Relevant Persons or other companies of the Group;
 - Performing risk control or other functions, which involve analysing Client personal data and confidential information of transactions which can be misused;
 - When providing crediting or financing services to Clients, information is obtained by a Bank employee or a Relevant Person, which may be used in providing investment services to other Clients;
 - Making payments to third parties and receiving payments from them, where this is related to investment services provided to Clients;
 - Undertaking OTC transactions with Clients;
 - Providing securities accounting and custody services;
 - When private information of a Client related with their carried out/planned transactions is known to a Bank employee or a Relevant Person;
 - A company of the Group, as a mutual fund manager, has an interest in attracting Client's finances to the fund if the amount of commission depends on the amount invested;
 - When the Bank offers the financial instruments distribution service to the Client.
- 2.3. The following situations are deemed to give rise to a Conflict of Interest or potential market manipulation:
- Orders of large and active clients for buying or selling of securities at other than market price are executed; *Note: A large and active Client is a Client with a total value of purchase or sale transactions carried out in one calendar year exceeding EUR 75,000 and who carries out more than 10 large transactions in one calendar year.*

- Orders of the management of the accountable issuer for buying or selling of financial instruments of that issuer at other than market price are executed;
- Orders are executed for the account of the Bank for buying or selling of financial instruments in respect of which the Client has given a purchase or sale order;
- Employees of the Bank purchase or sell financial instruments in respect of which the Client has given a purchase or sale order;
- Other situations where a Conflict of Interest arises between the Bank, the Bank's employees, Relevant Persons or Clients.

3. MANAGING CONFLICTS OF INTEREST

- 3.1. Organizational structure of the Bank is planned and changed so as to minimize the possibility of a Conflict of Interest. Structural units, between which a Conflict of Interest can arise, are not subordinate to each other. The employees providing investment services have adequate knowledge and are competent to discharge their duties.
- 3.2. In order to prevent and manage Conflicts of Interest, the Bank has developed internal procedures to be followed by all Bank employees and Relevant Persons.
- 3.3. When providing investment services, the Bank uses the following measures to manage potential Conflicts of Interest:
 - The actions of the Bank taken in respect of the Client are based solely on the Client's interests and undertaken independently of other persons' interests;
 - Bank employees and/or representatives authorised by the Client are prohibited from exchanging information about investment services provided to the Client, where this information may cause damage to the interests of one or more Clients;
 - The Bank, Relevant Persons and Bank employees are prohibited from executing a Personal Transaction for financial instruments, if a Client's order has been received with respect to the same financial instrument, before the Client's order is executed;
 - Orders received from different Clients under the same conditions must be carried out in accordance with a consistent procedure of order receipt set out in the Acceptance and Execution Procedure for Client Orders in Relation to Financial Instruments;
 - If the Bank is distributing financial instruments issued by the Bank itself or other companies of the Group to the Clients and cannot properly manage the associated Conflict of Interest, the Bank must refuse to participate in such projects in order to prevent any negative impact on the Clients' interests;
 - If the Bank intends to pay or receive inducement/incentive to/from a third party, procedure for payment/receipt of such inducements/incentives to/from third parties must be developed and approved prior to the start of such practice. Inducements/incentives may be acceptable if additional or higher-level services provided to the Client are proportionate to the level of contributions received. Furthermore, they must not prejudice the Bank's obligation to act fairly and professionally in accordance with the Client's interests and must provide long-term benefits to the respective Client.

Inducements/incentives are not permitted, if such payments make the provision of investment services to the Client biased

or investment services are determined precisely by such inducements/incentives.

The Bank must not receive any inducement/incentive from third parties for referring the Client to a particular trading or transaction execution location.

- Acceptance of any inducement/incentive from third parties must be disclosed to the Client in accordance with all legal requirements.
- 3.4. Measures for reducing Conflicts of Interest in providing securities accounting services:
 - The securities acquired by the Bank must be accounted for separately from the securities acquired for the account of the Clients;
 - Client's securities must be accounted for separately from securities of other Clients.
 - 3.5. The Bank does not carry out investment research. The Bank may obtain investment research carried out by third parties; however, such investment research must be used for investment purposes of the Bank or Group companies only. Such investment research must not be publicised or submitted to the Clients.

4. ACTIONS TAKEN IN THE EVENT OF CONFLICT OF INTEREST RELATED TO THE PROVISION OF INVESTMENT SERVICES

- 4.1. Where Conflict of Interest arises, the Bank, prior to the provision of an investment and/or ancillary service, must disclose the relevant Conflict of Interest and the price of financial instruments ultimately determined for those financial instruments to the Client on an individual basis in clear and understandable terms and against signature (or via telephone if the conversation is recorded). This information may be disclosed via telephone if it can be presented as evidence.
- 4.2. Where Conflict of Interest arises, an investment service may be provided only if and after the Bank's Client has clearly expressed his/her consent regarding the provision of this service to him/her with an existing Conflict of Interest and the Bank has evidence related to it (written consent, recorded phone conversation, etc.).
- 4.3. In cases where the Bank's organisational and other measures taken by the Bank for identification and management of Conflicts of Interest are not sufficient to ensure adequately reliable protection of the Clients' interests, prior to the provision of investment services:
 - The Client must be informed that organisational and other measures taken by the Bank for identification and management of Conflicts of Interest are not sufficient and do not ensure prevention/avoidance of damage to the interests of the Client;
 - The Client must be provided with a specific description of the Conflict of Interest, which arises in providing the investment service;
 - The Client must be provided with information about the nature and causes of the Conflict of Interest, the risks for the Client and the actions taken to reduce the risk. The above information must be presented in clear terms, accurately and on a durable medium so that the Client can make an informed decision concerning the investment service with respect to which a Conflict of Interest exists.