

## PROCEDURE OF AVOIDANCE OF CONFLICTS OF INTEREST IN THE PROVISION OF INVESTMENT SERVICES

### I. GENERAL PROVISIONS

- 1.1. Procedure of Avoidance of Conflict of Interest in the Provision of Investment Services (hereinafter – the Procedure) is prepared in accordance with the Law on Markets in Financial Instruments (hereinafter – the Law), European Commission delegated Regulation (EU) 2017/565 (hereinafter – the Regulation), the Law on Collective Investment Undertakings and the Law on Managers of Alternative Collective Investment Undertakings (hereinafter – the LMACIU). The Procedure complies with the policy of avoiding conflicts of interest as provided for in the Law and the Regulation, however, according to the procedure for the preparation, approval and publication of internal documents approved by the Board of Artea Bankas AB (hereinafter - the Bank), in the context of internal Bank documents, this document falls within the competence of the Board of the Bank, therefore called Procedure.
- 1.2. The Procedure sets the requirements for the Bank's internal processes and measures for identifying and managing circumstances that may give rise to conflicts of interest in the provision of investment and additional services to the Bank, envisages ways of avoiding such conflicts and actions upon their occurrence.
- 1.3. All Bank and Bank Group employees as well as Managers of the Bank and Bank companies must comply with this Procedure.
- 1.4. The Bank, while pursuing its business, adheres to high standards of commercial ethics, applies fair and equitable principles for fair trade to everyone. The Bank treats all the customers equally, without giving preference to anyone.

### II. DEFINITIONS USED

- 2.1. **Personal Transaction** is a transaction for a financial instrument which includes the person related to the Bank or which is concluded for the benefit of the related person.
- 2.2. **Compliance Function** is a function performed by the Bank, which includes identifying, assessing, monitoring, and consulting, risk mitigation and reporting on compliance risk.
- 2.3. **Compliance Officer** – An employee of the Compliance Department who performs the Bank's compliance function in the area of investment services.
- 2.4. **Head of the Bank** is the Bank's Chief Executive Officer, member of the Bank's Board or Supervisory Council.
- 2.5. **Person related to the Bank (hereinafter – Related Person)** – the Head of the Bank, any employee of the Bank or the Group of the Bank's Companies, or any other person participating in the Bank's provision of investment services or investment activities, provided that such services are provided on behalf of the Bank and are under control of such persons.
- 2.6. **Conflict of Interest** – a situation where the interests of different parties are in conflict and the parties have a duty of care and trust towards each other. A conflict of interest for the purposes of this Procedure includes both an

existing conflict of interest (i.e. a conflict of interest that has arisen) and a potential conflict of interest (i.e. a conflict of interest that may arise under certain circumstances). It also includes a perceived conflict of interest (i.e. a situation in which a conflict of interest may be perceived), even if there is no conflict of interest in reality. Situations potentially giving rise to a conflict of interest are detailed in Chapter III of the Procedure. Conflicts of interest may arise between the persons referred to in point 3.1 of the Procedure.

- 2.7. **Inside Information** - as defined by the Bank's Confidentiality Assurance and Disclosure Policy and the Rules for the Settlement of Personal Financial Transactions. Inside information on persons who execute orders for financial instruments is also information of a precise nature provided by the Client related to his or her orders relating directly or indirectly to one or several issuers or financial instruments whose disclosure may have a significant impact on the financial instruments or the price of associated derivatives.
- 2.8. **Client** is any natural or legal person to whom the Bank provides investment and / or additional services.
- 2.9. Other definitions in this Procedure have the meaning as defined by law.

### III. SITUATIONS POSSIBLE TO CAUSE CONFLICT OF INTERESTS

- 3.1. It is considered that, in the case of the provision of investment services by the Bank, a conflict of interests arises when the interests of the Bank, the Affiliated Person or the person directly or indirectly linked to the Bank by way of control, conflict with the interests of the Client or the person related to it.
- 3.2. A conflict of interest in the provision of investment services by the Bank may occur in the following cases where the Bank or the person referred to in point 3.1 of the Procedure:
  - 3.2.1 The Bank or that person may have financial gain or financial loss at the Client 's expense;
  - 3.2.2 have an interest in the outcome of the service provided to the Client or the outcome of the transaction on the Client's behalf that is different from the Client's interest in the outcome (e.g. (i) the Bank has an interest in the Client's purchase of specific FI due to the Bank's commission income, (ii) the Bank provides a FI distribution service to the Client's issuer and has an interest in the distribution of such FI, (iii) the Bank or any other person referred to above, (iv) the Bank or other person referred to above is interested in the Client entering into a transaction in respect of specific FPs held by the Bank or another person referred to above due to a commercial or personal relationship with an entity that is in one way or another related to a specific FI, etc. );
  - 3.2.3 has a financial or other interest in favouring the interests of another Client or group of Clients at the expense of the interests of the Client (other than in respect of commissions or other payments for services normally payable in such circumstances);
  - 3.2.4 The Bank or that person is engaged in the same activities as the Client;
  - 3.2.5 The Bank or that person receives or shall receive a promotion from the Client that is related to the service provided to the Client and which may be provided in the

- form of money, goods or services, except in such a case, the usual commission or other payment for services.
- 3.3. A conflict of interest is also possible if the Client, a person related with him or another person acting for the benefit of the Client offers the Bank or the person related with the Bank financial or non-financial benefits, i.e. gifts, discounts, entertainment, services, etc.
  - 3.4. Related Person acting for the benefit of the Bank may dispose of inside information or other confidential information about the Clients, therefore his transactions may, at his own or a bank's expense, lead to a conflict of interest.
  - 3.5. Different risks arising from conflicts of interest arise from the Bank's investment and ancillary services and the activities of its own investment activity:
    - 3.5.1. execution of Clients' orders;
    - 3.5.2. disposal of inside information and other confidential information;
    - 3.5.3. distribution of FI;
    - 3.5.4. the disposal of Inside information and other confidential information;
    - 3.5.5. personal transactions;
    - 3.5.6. trading Bank's account;
    - 3.5.7. the provision of market making services;
    - 3.5.8. the provision of depository services;
    - 3.5.9. management of FI accounts and FI accounting.
  - 3.6. When accepting and executing The Clients' orders, the Bank receives information about the Client's intentions and the demand and supply of financial instruments. This creates the preconditions for misuse of this information, thereby causing a conflict of interest in relation to:
    - 3.6.1. interests of other Clients who make transactions on the same FI or use other Bank's services;
    - 3.6.2. the interests of the Bank, by executing transactions for its own account, including as a market maker. For example, the Bank seeks to maximise the return on its positions by entering into transactions for its own account, which could theoretically create a conflict of interest between this type of activity and the Clients who enter into transactions with the Bank;
    - 3.6.3. conclusion of personal transactions;
    - 3.6.4. the fact that the Bank may itself be the distributor of the FI in respect of which the Client's order is placed or the transaction is concluded for the benefit of the Client;
    - 3.6.5. inappropriate timing or allocation decisions, as the manner in which the orders are executed or allocated may have the effect of giving biased preference to certain funds, or to Clients, or to Related Persons at the expense of other persons, particularly when the Bank executes orders in respect of:
      - 3.6.5.1. FI issued by the Bank or by Customers or Related Persons of the Bank or persons for whose benefit the Bank acts;
      - 3.6.5.2. FI distributed publicly or non-publicly by the Bank or owned by the Bank.
  - 3.7. The Bank may be exposed to a Conflict of Interest by offering FI to Clients in the course of their placement and by receiving payments from the Clients' issuers or the Clients' investors for the services rendered to them.
  - 3.8. By disposing of inside information or other confidential information, conflict of interest risk arises when the Bank's employees in charge on the preparation and publication of essential information of the issuers (which is the Bank itself), disposes the information until its public disclosure.
- Therefore, the Bank has a potential conflict of interest:
- 3.8.1. concluding on the Issuer's financial instruments Personal Transactions;
  - 3.8.2. concluding transactions at the Bank's expense;
  - 3.9. Bank employees, in concluding transactions at their own expense, may enter into a conflict of interest in the event of conflicts between their interests and those of other clients of the Bank (or the Bank itself) in the event of the acquisition / sale of the same financial instrument at the lowest / higher price.
  - 3.10. When trading at a Bank's expense, conflicts of interest may arise:
    - 3.10.1 at the same time, the Bank conducts trading of financial instruments by the Client;
    - 3.10.2. at the same time, as the Bank performing the function of a market maker;
    - 3.10.3. when the Bank makes transactions of derivative FI with the Clients as a party to these transactions. In such cases, the interests of the Bank and the Clients do not coincide because the single result of the transaction to the Client represents the opposite result of the same transaction to the Bank. The higher the risk of conflict of interest, the more significant part of the Bank's activities and income is represented by the discussed trading in FI at the Bank's account and income from it. The Bank also finds itself in a situation of conflict of interest in cases when it determines the price of a transaction concluded with the Client, instead of using objective market data, as well as a time difference between a transaction concluded with the Client and a transaction concluded for hedging purposes (if such is concluded), may lead to the Bank obtaining additional financial gain from the price difference in time.
  - 3.11. When submitting Depository Services to Clients, a conflict of interest may arise:
    - 3.11.1 At the same time, the Bank provides the Client with other investment and / or related or unrelated services, e.g. executes the Client's orders for financial instruments, distributes financial instruments, provides credit services and etc.;
    - 3.11.2 The Bank is selecting custodians of financial assets;
    - 3.11.3 The employee responsible for the provision of the Depository's services, knowing where the Client's investments are planned, would be interested in concluding transactions at his own or Related Persons' expense.
  - 3.12. The Bank, when providing financial services custody services, may encounter situations where conflicts of interest may arise choosing custodians, providing information about client portfolios to other branches of the Bank and ensuring confidentiality with respect to other Clients.
- #### IV. INCENTIVES
- 4.1. The Bank ensures that the Bank's remuneration policies and practices would be applied to all relevant persons who directly or indirectly affect the investment or ancillary services provided by the Bank or the Bank's behaviour, provided that the remuneration of such persons and similar incentives could lead to a conflict of interest which would encourage them to act in violation of any interests of Bank's Client. In addition, any direct link between the remuneration of persons who predominantly carry out one

type of activity and the remuneration of other persons who predominantly carry out a different type of activity must be sought to be eliminated, where these activities may give rise to a conflict of interests.

- 4.2. Related parties are prohibited from providing or providing any type of fee or commission for the provision of investment and ancillary services, as well as providing or accepting any non-cash benefits of any kind, unless:
  - 4.2.1. payment or benefits to improve the quality of the service provided to the Customer;
  - 4.2.2. payment does not interfere with the Bank's obligation to act honestly, fairly and professionally, considering the interests of the Clients as much as possible.

## V. MEASURES AND PROCEDURES FOR THE MANAGEMENT OF CONFLICT OF INTERESTS

- 5.1. All employees of the Bank must take all the following and other possible measures in order not to get into the situations listed in Section III of this Procedure and not limited to conflicts of interest and to avoid conflicts of interest.
- 5.2. All Bank employees must comply with internal documents regulating the Provision of Bank's Investment Services. Procedures for Execution of Orders, Provisions for the Provision of Investment Services to clients and other documents include aspects of avoiding conflicts of interest related to the specific areas covered by these documents.
- 5.3. If the interests of the Bank, the Bank's manager or the employee and the Client are encountered, it is primarily in the interests of the Client. Subsequently, the interests of the Bank, then the principle of priority of the time are met. In cases where there is a conflict of interest between two or more Clients, the Bank shall act in such a way that none of the Clients benefits or suffers losses at the expense of the other Client and the losses suffered by the Clients are minimised to the extent possible. In all cases, the Bank shall seek to ensure that the benefit/damage to the Customers is proportionately equal, i.e. not to give priority to the interests of one Customer at the expense of the interests of another Customer.
- 5.4. The Bank shall organise its work in such a way as to separate the activities of staff engaged in different types of activities. Employees are prohibited from exchanging information with employees of another unit if such exchange of information could be detrimental to the interests of the Clients. Where the exchange of information is necessary for the provision of services to a Client, employees shall consult with the Compliance Officer to assess the risk of material damage to the Client's interests.
- 5.5. In order to avoid a conflict of interest, the personnel providing investment services and other persons related to the Bank must adhere to the following principles:
  - 5.5.1. to refuse to accept, directly or indirectly, money or analogues easily convertible into money, gifts, discounts, entertainment (such as invitations for dinner, participation in cultural events, arriving for tourist purposes, etc.) or services (understood as gifts) that may or may not could be considered as capable of influencing the performance of the Bank's employee's or related person's functions, performance of duties or his decisions;

- 5.5.2. Bank staff are required to inform their direct supervisor of attempts by clients or their related parties to offer such gifts or entertainment. This should be immediately reported to the immediate supervisor and Compliance Officer.
- 5.6. When the Bank enters into a transaction with the Client for its own account, the Bank's staff shall endeavour to ensure that the criteria are met which, if satisfied, will result in the transaction being considered to be entered into on the best terms for the Client, taking into account the market price of the FI, the volume of the transaction and other attributes, except that, as a party to a transaction with the Client, the Bank may not be under an obligation to ensure the best result for the Client as provided for in the Procedure for the Execution of Orders for financial instruments.
- 5.7. The Bank has a compliance function for the provision of investment services which is carried out on an ongoing basis by a Compliance Officer.
- 5.8. The heads of the bank are responsible for ensuring a clear separation of the structural units, their functions and responsibilities, including structural physical separation, if such separation is required, for example, the control functions of the Depositary are clearly separated from the services provided by the financial intermediary.

## VI. DISCLOSURE OF INFORMATION ON CONFLICTS OF INTEREST

- 6.1. If the conflict of interest cannot be avoided, and the Bank's employee providing investment services explicitly estimates that it is not possible to be sure in accordance with this Procedure or other internal documents of the Bank that it will be possible to prevent damage to the Client's interests (i.e. if in the particular case the Bank's organizational or administrative measures specified in Section V of this Procedure are insufficient to reliably avoid the risk of damage to the Client's interests) before providing service to the Client, the Client shall disclose information about the general nature and / or causes of conflicts of interest, as well as about the actions taken to reduce the impact of the resulting risk factors. Disclosure of this information:
  - 6.1.1. provided on a durable medium - written (signed) or by e-mail;
  - 6.1.2. must be sufficiently detailed in relation to the Client so that the Client can make an informed decision about a service that may give rise to a conflict of interest.
- 6.2. The measure mentioned in the item 6.1. is the last possible option and is used only in special cases where all other measures provided do not guarantee that the risk of damage to the Client shall be avoided. An investment or ancillary service may be provided only after the Client explicitly expresses his consent to the provision of an investment service in the event of a conflict of interest.
- 6.3. If the Bank decides not to provide investment services because of a conflict of interests, the information about such situation is not disclosed to the Client.
- 6.4. An employee, having determined the circumstances which, in his opinion, may give rise to a conflict of interest, must inform the Bank Compliance Officer and the Direct Manager. In case of uncertainty regarding the assessment of the situation, it is necessary to consult the Compliance

Officer.

- 6.5. An employee may transfer information that may give rise to a conflict of interest to third parties only in the manner prescribed by law, where such information is necessary to protect the Bank's interests.
- 6.6. The Bank must keep and regularly update information about the investment and (or) additional services provided by the Bank and investment activity, which caused or may arise a conflict of interests which is liable to cause damage to the interests of one or several Clients. This information is being compiled and the data is being updated according to the Bank units providing investment and ancillary services by the Department of Compliance and Prevention.

## VII. RESPONSIBILITY AND INTERNAL CONTROL

- 7.1. All the Bank's units, Bank's employees and managers mentioned in the Procedure are responsible for the proper performance of the functions specified in the Order.
- 7.2. The Compliance Officer prepares and regularly updates the list of financial instruments for which there is a potential conflict of interest in the provision of investment and ancillary services or transactions. This list is compulsory introduced all Related Persons.
- 7.3. The Compliance Officer carries out an inspection of transactions in financial instruments, which informs the

management of the Bank about potential conflicts of interest and about the reported violations.

## VIII. FINAL PROVISIONS

- 8.1. The Procedure is owned by the Savings and Investment Products Development Unit which is responsible for the administration of the Procedure (coordination, renewal, submission to the Board of the Bank) and consulting.
- 8.2. The Procedure is regularly reviewed, at least once a year, by its organizers and the take all appropriate measures to eliminate the deficiencies. If in practice the excessive reliance on the fact that the resolution of conflicts of interest is possible through the disclosure of information about them to the Clients, this is considered a deficiency of this Procedure and the applicable measures must be reviewed.
- 8.3. In case of a new risk of conflicts of interest, the Procedure is amended and supplemented accordingly.
- 8.4. Employees shall also comply with the *Bank's Code of Ethics, Conflicts of Interest Policy, Conflicts of Interest Procedures and Personal Transactions in Financial Instruments Rules*, which are designed to mitigate and/or manage the risks of conflicts of interest.

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