

## POLICY OF AVOIDING CONFLICTS OF INTEREST IN PROVIDING INVESTMENT SERVICES

### 1. GENERAL PROVISIONS

1.1. The Policy of Avoiding Conflicts of Interest in Providing Investment Services sets forth the requirements and procedures intended to establish and control the circumstances related with the investment and ancillary services provided by Luminor Bank AB and by Luminor Investicijų Valdymas UAB (hereinafter - the Bank) as well as investment activity carried out thereby (hereinafter - the Investment Services) which cause or may cause conflicts of interest which may result in damaging interests of one or several clients.

1.2. This policy has been prepared in observance of the Law of the Republic of Lithuania on Markets in Financial Instruments and of the Rules on the Organization of Activities of Financial Brokerage Firms approved by the Securities Commission of the Republic of Lithuania.

1.3. General requirements related to avoiding conflicts of interest and to the staff ethics are set forth in the Code of Conduct.

### 2. DEFINITIONS

2.3 *Customer* means a natural or legal person to whom the Bank provides or intends to provide investment services.

2.4 *Employee* means any employee of the Bank as well as members of the Management Board and of the Supervisory Council, and other persons involved in providing investment services on behalf of the Bank.

2.5 *Conflict of interest* means the situation where interests of different parties are contradicting to each other. Such conflicts may arise when:

- 2.5.1. Interests of the Bank or of the Employees contradict to the Customer's interests;
- 2.5.2. Interests of a Customer contradict to another Customer's interests;
- 2.5.3. The Employees' interests contradict to the Bank's interests.

2.6 *Investment research* means a research or other information which directly or indirectly offers or recommends an investment strategy relating to one or several financial instruments or their issuers (including expressed opinions on the current or future value or price of such financial instruments) and which is intended to information distribution channels or to the public and corresponds to the following conditions:

- 2.6.1. It is named as an investment research or defined by a similar definition or is otherwise presented as an objective and independent explanation of the matters indicated in the recommendation.
- 2.6.2. In case the above mentioned recommendation is presented by the Bank to the Customer, it is not considered an investment service, i.e. submitting of an investment recommendation as defined in the Law of the Republic of Lithuania on Markets in Financial Instruments.

2.7. Other concepts used herein are to be understood as they are defined by the legal acts indicated in Paragraph 1.2.

### 3. IDENTIFICATION OF CONFLICTS OF INTEREST

3.1. In order to identify possible conflicts of interest, the Bank or its Employee considers and evaluates the circumstances in case the Bank or its Employee:

- 3.1.1. is likely to make a financial gain or to avoid a financial loss at the expense of the Customer;
- 3.1.2. has an interest in the outcome of a service provided to the Customer or of a transaction carried out on behalf of the customer, which is distinct from the Customer's interest in that outcome;
- 3.1.3. has a financial or other interest in giving priority to the interests of the Customer or Customer Group at the expense of another Customer or Customer Group;
- 3.1.4. is engaged in the same business as the Customer;

3.1.5. receives or will receive from a person other than the Customer an inducement in relation to a service provided to the Customer in the form of monies, goods or services, other than the standard commission or other payment for such services.

3.2. Situations that can trigger conflicts of interest (it is not possible to list all actual or potential conflicts of interest, but below are identified situations where conflicts of interest may arise and where particular attention is required):

- 3.2.1 The Bank or its Employee concludes or intends to conclude a transaction related to a financial instrument at the same time that the Customer's order is received or being executed in relation to the same financial instrument;
- 3.2.2 The Customers' orders related to the financial instruments issued by the Bank are in process of execution.
- 3.2.3 The Customers' orders are in process of execution in relation to buying or selling financial instruments which are publicly or non-publicly distributed by the Bank or which are owned by the Bank under the ownership right.
- 3.2.4 The Bank or its Employees receive financial or other incentives which influence their behaviour in the way that the Customer or Customer Group gains priority over other Customers;
- 3.2.5 The Bank receives payments (incentives) from third parties or makes payments to a third party in relation to the service provided to the Customer.
- 3.2.6 The unit that carries out investment researches is related to and acts together with the unit that provides investment recommendations;
- 3.2.7 The Bank managing financial instruments portfolios of several Customers or funds distributes a financial instrument of one issue;
- 3.2.8 The Bank provides corporate consulting services to a company whose financial instruments it has acquired or intends to acquire for own account or provides investment recommendations related to these financial instruments to the Customers;
- 3.2.9 Investment services are provided to several bank customers whose interests are contradicting.
- 3.2.10 Decisions made by managers of the customers' investment portfolios or funds are related with the interests of the Bank as the issuer/distributor of financial instruments.
- 3.2.11 The Customer buys the Bank's financial instruments intended to manage the risks related with the Bank's crediting and financing services.
- 3.2.12 The Bank provides both corporate consulting services and crediting services to the same Customer.
- 3.2.13 Other situations that can trigger conflicts of interest.

#### **4. AVOIDING CONFLICTS OF INTEREST AND MANAGING MEASURES**

4.1. In order to prevent possible conflicts of interest, functions of the Employees providing investments services are segregated and these employees are prohibited from exchanging information related with investments services provided to the Customers or with any intentions to provide such services if such exchange of information is not necessary in order to properly provide the services and/or may harm interests of the Customer or the Bank.

4.2. The measures to manage conflicts of interests related to use of the inside information and the Employees' personal account dealings are provided in the Bank's internal procedures.

4.3. The staff incentive and motivation system is developed in view of avoiding direct connection between the salary of related persons mostly engaged in one type of activity and the salary or income received by other related persons mostly engaged in other type of activity in case different types of activities may raise conflicts of interest.

4.4. The employees may not enter into or recommend any transactions for buying or selling financial instruments which are aimed exceptionally at gaining commissions or at other financial benefit without considering the Customer's best interests.

4.5. One Employee has no right to enter into a transaction in the name and for the account of the Bank and personally for own account in case the Customer's order was received regarding the same financial instrument until the Customer's order is fulfilled. Orders received from different Customers must be executed in order of priority according to the receipt date of the customer's order, i.e. orders that were received earlier are executed first.

4.6. In case the interests of the Bank, Employee and the Customer are confronted, priority must be given to the Customer's interests.

4.7. In cases where payments from third parties are executed or received in relation to investment services, such payments must be disclosed to the Customer before the services are provided.

4.8. When preparing the investment research, the following requirements must be observed:

- 4.8.1. The Employees who participate in preparing investment researches are banned from personal account dealing or trading in financial instruments covered by the investment research or in other related financial instruments in case these persons are aware of the likely time of publishing the investment research or its content which is not known publicly or not available to the Customers. The ban provided herein is applicable until the receivers of the investment research have a real access to the investment research;
- 4.8.2. The Employees who participate in preparing investment research are banned from personal account dealing in financial instruments covered by the investment research and other related financial instruments when such dealing is contradictory to the existing recommendations, except for the cases where exceptional circumstances occur and a prior written consent is received from the management of the Bank or their authorised person(s) as established by the Bank's internal procedures regulating personal account dealing;
- 4.8.3. The Employees who participate in preparing investment research are banned from accepting any incentives from persons who are directly interested in the subject of the investment research;
- 4.8.4. The Bank, Employees and other related persons who participate in preparing investment research are banned from giving promises to the issuer that the result of the investment research will be favourable to the issuer;
- 4.8.5. In case the draft investment research includes a recommendation or likely future price of the financial instrument, then the issuers and other persons (except the employees who prepare the investment research) have no right, until the investment research is published, to look through the draft investment research in order to check the correctness of the factual data in the investment research or to look through the draft investment project for any other purposes.
- 4.8.6. Independence of the Employees who prepare the investment research must be ensured, including their segregation from other structural units and ban on taking managing positions in companies about which the investment research is carried out or any other participation in the activity of these subjects which could harm objectiveness of the research.

## 5. DISCLOSING CONFLICTS OF INTEREST

5.1. If a conflict of interest arises and none of the Bank's measures to avoid conflicts of interest is efficient, the Bank before rendering investment services must disclose the content of the conflict of interest to the Customer against signature. This information may be also disclosed by telephone, provided that it is recorded and can be presented as evidence. The investment service can be rendered only in case the client clearly expresses his consent to the provision of the investment service amid the conflict of interests.

5.2. The employee must immediately inform the Compliance Department-in the following cases:

- 5.2.1. The employee notices circumstances which in his/her opinion may trigger a conflict of interest;
- 5.2.2. The Customer or Employee intends to buy or sell a financial instrument that is on the list of conflicts of interest indicated in Paragraph 5.3;

5.3. The Compliance Department must prepare and the Country Head of the Bank must approve the list of financial instruments which may cause conflict of interest in the course of providing investment services or entering into transactions. All Employees providing investment services to the Customers or entitled to dealing for Bank account must be familiarised with this list.

## 6. FINAL PROVISIONS

The Compliance Department constantly observes the deals with financial instruments which can cause a conflict of interest and immediately informs the President and Internal Audit Department of the Bank in writing about any recorded breaches of the procedure.