



EXCERPT FROM CONFLICTS OF INTEREST MANAGEMENT POLICY

Approved by the Board of JSC "Rietumu Banka" Minutes No. 4, 18.01.2023

1. Policy Objective

- 1.1. JSC "Rietumu Banka" Excerpt from Conflicts of Interest Management Policy (hereinafter – the Policy) defines the essence of the conflict of interest in the JSC "Rietumu Banka" (hereinafter – the Bank), the procedure of timely identification and management of possible conflicts of interest, the procedure of minimization of the situations of the conflicts of interest, as well as defines responsibility of both structural units, officials and employees of the Bank regarding management of conflicts of interest.
- 1.2. The Bank implements the Policy by meeting the laws and regulatory requirements of the European Union and the Republic of Latvia.
- 1.3. When developing the Policy, the Bank takes into account the identified existing actual or potential conflict of interest situations in the Bank's subsidiary companies, and also takes possible measures to prevent the conflict of interest that may arise between the Bank and its subsidiary companies.
- 1.4. The Policy is applied to all levels of the Bank's employees and the Bank's subsidiaries.

2. Terms Used

Official – a member of the Bank's Council or Board.

Persons related to the Bank – shareholders of the Bank or participants who have a qualifying holding in the Bank, and the spouses, parents and children of these shareholders or participants-private individuals, members of the Bank's Council and Board, the Head of the Internal Audit, the Chief Risk Officer, the Compliance Officer, Anti-Money Laundering and Counter Financing of Terrorism Preventing Officer and Sanctions Controller, the spouses, parents and children of these persons, as well as commercial companies in which the mentioned persons have a qualifying holding.

Bank's subsidiary – an investment object directly or indirectly controlled by the Bank.

A significant conflict of interest situation – the limit size of a conflict of interest situation determined by the Bank's Council, by which it can be classified as a significant conflict of interest situation. A significant conflict situation is a one-time event, as a result of which the Bank or the Bank's subsidiary has suffered losses in terms of 0.1% (zero-point one percent) of the Bank's equity capital.

Employees – all employees of the Bank, incl. officials, interns, persons cooperating with the Bank on the basis of a company contract and employees of the Bank's subsidiaries.

Financial instruments – financial instruments within the meaning of the Financial Instruments Market Law, including but not limited to: transferable securities (share, bond), money market instruments, investment or alternative fund investment certificates; as well as: options and futures, OTC futures, swaps, contracts for difference and other instruments.

Conflict of interest situation – action or inaction in decision-making when the employee, directly or indirectly, or through third parties, is personally interested in decision-making. A conflict of interest may arise in a situation where an employee cannot take a neutral position or maintain objectivity, fairness and professionalism, which in turn affects or may affect the personal or property interests of this employee, his/her relatives or business partners.

Client – a corporative entity or a private individual or a legal arrangement, or an association of such entities individuals/ arrangements to whom the Bank provides services or who has expressed willingness to receive them.

Incentives – any fee, commission, financial or non-financial benefit that the Bank pays or receives in connection with the provision of the investment or ancillary investment related service to the client.

Persons who perform basic functions – employees whose position gives them the opportunity to significantly influence the direction of the Bank's operations, but who are not members of the Council or the Board.

Personal transaction – any transaction with financial instruments carried out by a person or official related to the Bank and/or which is carried out for the benefit of this person and meets at least one of the following criteria:

- the transaction is carried out outside the scope of the professional activities of the above person;
- the transaction is carried out at the expense of the above person;

- the transaction was executed at the expense of the above-mentioned person's spouse, child, or another relative or person who has close ties with the person related to the Bank or had a joint holding at least one year before the transaction was executed;
- the transaction was carried out at the expense of another person who is related to the Bank's related person in such a way that the latter has a direct or indirect material interest in the outcome of the transaction, which is not a fee for the execution of the transaction.

3. Goals

- 3.1. This Policy is developed to identify the possible situations of the conflict of interest, assess and manage conflict of interest situations, as well as determine actions to prevent conflict of interest situations.
- 3.2. In order to achieve this goal, the Bank implements the following activities:
 - 3.2.1. ensures that all employees comply with this Policy and binding internal regulatory documents of the Bank;
 - 3.2.2. identifies, documents and eliminate a situation of the conflict of interest;
 - 3.2.3. ensures the division of supervisory issues of the Board and Council Members, as well as in other matters of subordination, in order to avoid conflict of interest situations. The Board and Council Members act independently when making decisions (independence of mind) and only in the interests of the Bank;
 - 3.2.4. ensures that the structural units between which a conflict of interest may arise are mutually independent (different subordination, separated information circulation);
 - 3.2.5. ensures the clarity, accuracy and truthfulness of the information provided to clients;
 - 3.2.6. ensures that the conditions of transactions of persons and employees related to the Bank do not differ from those offered to persons not related to the Bank;
 - 3.2.7. ensures that commercial companies, in which persons related to the Bank have a qualified holding, do not have transaction conditions different from those offered to persons not related to the Bank;
 - 3.2.8. ensures that during the provision of investment services/ancillary investment services the Bank is entitled to receive/pay incentives, in compliance with the requirements of Article 133.¹⁸ of the Law on Financial Instruments Market of the Republic of Latvia. The Bank transfers the incentives received from the counterparty to the client in full. The Bank ensures disclosure of appropriate information about incentives to customers and publishes the information on the website www.rietumu.com;
 - 3.2.9. ensures that employees perform their duties to the extent and quality that they do not violate external laws and regulations as a result of the performance of their duties; prevents the occurrence of a conflict of interest and refrains from making decisions in transactions in which this employee has or may have a conflict of interest;
 - 3.2.10. ensures employee access restrictions to the Bank's information; stipulates that employees refrain from making a decision and subsequently signing an agreement on behalf of the Bank for transactions in which one party is the Bank, the other is the employee himself/herself or a person in relation to whom the employee is a related person and a conflict of interest exists or may arise;
 - 3.2.11. ensures that the Bank has established restrictions on conducting personal transactions in the financial markets and has developed a procedure for how employees can receive investment services;
 - 3.2.12. identifies and prevents conflicts of interest that could arise as incentive principles;
 - 3.2.13. examines the client's complaints about the possible conflict of interest and provides the client with an answer;
 - 3.2.14. determines that the Bank perform actions to identify that employees perform their duties in accordance with this Policy, as well as conditions of other internal regulatory documents or external regulatory enactments;
 - 3.2.15. ensures that the Council/Board Members and respective heads of the structural unit are informed about the identified conflict of interest situations and their prevention measures.
- 3.3. The Board ensures the implementation of the necessary measures to improve conflict of interest situations.
- 3.4. The Policy is published on the Bank's website after its approval.

4. Situations of conflicts of interest

- 4.1. A conflict of interest may arise in situations where, during the performance of duties, conflicting or different interests are faced between/ among:
 - 4.1.1. the Bank and the client;
 - 4.1.2. an employee/a person related to the Bank and the client;

- 4.1.3. a partner and the client;
 - 4.1.4. two or more clients of the Bank when providing services to them;
 - 4.1.5. the Bank and its employees, incl. its official;
 - 4.1.6. employees of the structural unit, the Board and Council Members;
 - 4.1.7. the employee as an employee and a client at the same time;
 - 4.1.8. the Bank and the Bank's subsidiaries, their officials.
- 4.2. A conflict of interest may arise in situations where an employee or a person related to the Bank:
- 4.2.1. could make a profit or avoid financial losses at the expense of the client or the Bank;
 - 4.2.2. is interested in the result of the service provided to the client or the transaction performed on behalf of the client, which does not correspond to the client's interests;
 - 4.2.3. is interested in acting for the benefit of another client or a group of clients;
 - 4.2.4. is interested to act in favour of another employee, the Board or Council Member;
 - 4.2.5. is interested in working together (as relatives, business partners, etc.) with any other Bank employee, the Board or Council Member contrary to the Bank's interests;
 - 4.2.6. performs the same professional activity as the client;
 - 4.2.7. receives or will receive compensation for the services provided to the client from another person in the form of money, goods or services other than the standard fee for this service. Exceptional cases related to giving or receiving gifts and representation expenses;
 - 4.2.8. receives remuneration (incentives) or gifts from partners, clients or other interested parties, which may affect making honest decisions.
- 4.3. A conflict of interest may also arise:
- 4.3.1. in case of combining positions (a position in the Bank and a position in another company);
 - 4.3.2. in the case of cooperation with the employee's family members or friends, or with companies belonging to them, as well as with the Bank's competitors;
 - 4.3.3. when employees use information obtained within the scope of their work duties without authorization, in order to obtain some material or non-material benefit for themselves or their relative/business partner.

5. Procedure for identifying, assessing, reporting and documenting conflicts of interest

- 5.1. Employees use all the information at their disposal to identify, to the best of their ability, all possible circumstances (Clause 4.2.) that may cause or create a basis for conflicts of interest in connection with the provision of Bank services, as well as employees report conflict of interest situations during planned, extraordinary check-ups and financial monitoring.
- 5.2. The Bank implements the monitoring of the Policy by regularly collecting annual information about conflict of interest situations and evaluating the received data.
- 5.3. Analyzing a potential conflict of interest situation in the Bank, it is assumed that a conflict of interest exists in any case when the decision made by employees regarding the Bank's service provided to a specific client has been materially influenced by the interests of another person (e. g. the Bank, an employee, another client, etc.) and not exclusively in the interests of the respective client.
- 5.4. Employees provide reports on possible or identified situations of conflict of interest in their own or other employees' activities in accordance with internal documents. Officials are additionally informed of conflict of interest situations by the Council or the Board.
- 5.5. The analysis of the conflict of interest situation is determined by internal. The decision taken on each case of conflict of interest is noted by the Bank's employee in the Operational Risk database.
- 5.6. The Bank analyses the compliance of the possible conflict of interest situation with the characteristics of group A, B1, B2 or C. Specialists and experts may be invited from any structural unit for the analysis and assessment of a possible conflict of interest situation as needed.

6. Management of conflict of interest situations according to division into groups

Group A – persons related to the Bank

- 6.1. The Bank identifies situations of conflict of interest that could arise for persons related to the Bank, as well as for commercial companies in which the persons and officials/employees related to the Bank have a qualifying holding.
- 6.2. The Bank ensures that conditions of the Bank's transactions for persons of Group A are not more favourable than the conditions of similar transactions of the Bank with persons not related to the Bank and do not conflict with the interests of the Bank and its clients. The Bank ensures the monitoring and verification of transactions to ensure that the conditions mentioned in this clause are observed.
- 6.3. If the potential conflict of interest situation assessed by the Bank's employee corresponds to the characteristics of Group A, the Bank's employee, according to the nature of the case, informs the relevant institution of the Bank (Council, Board, Internal Audit Department), which makes the final decision.
- 6.4. If no case of conflict of interest is detected, the Bank's employee makes a corresponding mark in the Operational Risk database.

B1 group – officials

- 6.5. The Bank applies additional requirements to officials for managing conflict of interest situations and intends to evaluate at least the following:
 - 6.5.1. economic interests of these persons (for example, a loan issued that exceeds the limit of exposures mentioned in the Law on Credit Institutions);
 - 6.5.2. their personal, professional and economic relations with other employees or officials of the Bank, persons who have a qualified holding in the Bank, and other interested parties (external stakeholders), as well as with employees of Bank's subsidiaries;
 - 6.5.3. their legal employment relations during the last five years;
 - 6.5.4. participation in the capital of other commercial companies, if such participation affects or may affect the interests of the relevant person.
- 6.6. The Bank takes all necessary measures to identify and prevent conflict of interest situations that may arise with officials:
 - 6.6.1. requests information from the officials in order to evaluate and prevent their activities outside the Bank;
 - 6.6.2. sets restrictions for the Council and Board Members to hold positions in companies competing with the Bank, with the exception of subsidiaries that are part of the same prudential consolidation group as the Bank;
 - 6.6.3. ensures that the management of conflict of interest situations in relation to the Council and Board Members is organized so that the Council and Board Members act independently in decision-making (independence of mind) and only in the interests of the Bank;
 - 6.6.4. when appointing officials, does not allow situations of conflict of interest, including nepotism.
- 6.7. The Council and Board Members:
 - 6.7.1. in the performance of their official duties, prevent the occurrence of a conflict of interest and refrain from making decisions regarding the Bank's financial transactions or any other transactions in which this Council or Board Member has or may have a conflict of interest;
 - 6.7.2. report to the Council on financial transactions or any other transactions in which this Council or Board Member directly or indirectly has or may have a conflict of interest;
 - 6.7.3. provide information on potential conflict of interest situations that may arise in connection with their activities or the activities of persons closely related to them in other financial institutions.
- 6.8. **Officials** who, in the course of their duties, may face a conflict of interest situation are prohibited to:
 - 6.8.1. make a personal transaction:
 - 6.8.1.1. based on internal information available to employees while performing their duties;
 - 6.8.1.2. using or disclosing information containing trade secrets;
 - 6.8.1.3. which contradicts the requirements established by the Financial Instruments Market Law;
 - 6.8.1.4. at the expense of one's own or another person (including the Bank) for which an investment study has been developed, if the person related to the Bank has investment study information that is not yet available to the Bank or Clients.

- 6.8.2. advise a third person to carry out such a transaction with financial instruments, which would be qualified as a personal transaction for the person who recommended the transaction, except for the case when the transaction is recommended while performing work or professional duties;
- 6.8.3. disclose information or express an opinion to a third party if the person who disclosed the information knows or should know that as a result of the disclosure the third party will or could conduct or advise another person to conduct a transaction with financial instruments that for the person who disclosed the information would have qualify as a personal transaction.

Group B2 – employees who acting in the field of providing investment services (performing their duties) could face a conflict of interest situation

- 6.9. Persons who perform key functions report to the Board about transactions in which this person directly or indirectly has, may have or has already had a conflict of interest.
- 6.10. The Bank takes all necessary measures to identify and prevent conflict of interest situations that may arise when providing investment services/investment ancillary services, or in other circumstances:
- 6.10.1. **Execution of the client's order for carrying out a transaction with financial instruments at the expense of the client.**

When executing the client's order, conflict of interest situations are possible, which may arise:

- a) between the client and other clients of the Bank in the event that other clients of the Bank transact with the same financial instruments with which the client transacts and, in addition, receive the Bank's investment services/investment ancillary services
- b) between the client and the Bank in case the Bank carries out a transaction with the purchase of a financial instrument on behalf of the client, when the Bank is the seller/distributor of this financial instrument and receives commission fees for this distribution;
- c) between the client and the Bank in case the Bank carries out a transaction with the purchase of a financial instrument on behalf of the client, the Bank being the issuer of this financial instrument;
- 6.10.2. between the client and the Bank's employee in case the Bank's employee conducts a personal transaction with the client, the Bank's employee being the seller/ buyer of a financial instrument or a person related to the seller/buyer of the financial instrument.

6.10.3. **Personal transactions.**

The Bank employees may conduct personal transactions with financial instruments, and in this case the personal interests of the employee may conflict with the interests of the client or the Bank.

6.10.4. **Organization of the issue of debt securities.**

The purpose of organizing the issuance of debt securities is to provide support to the client in the implementation of the issuance of a personal financial instrument, which may negatively affect or cause a conflict of interest situation:

- a) if the Bank offers to acquire financial instruments in the interests of other clients, for the distribution of which the Bank has concluded a distribution agreement and receives a commission fee from the issuer of the financial instrument or another person;
- b) if the Bank is interested in managing the personal position;
- c) the Bank employees are interested in conducting personal transactions.
- 6.10.5. **When carrying out individual management of the client's financial instruments in accordance with the client's authorization** (individual asset management service), the Bank, as a financially interested party in concluding the transaction, has the possibility of conflicts of interest if:
 - a) the client's investment portfolio includes/purchases the financial instruments owned by the Bank or its shareholders, or issued by the Bank, its shareholders or another subsidiary of the Bank, or the Bank has organized the issuance of the financial instruments;
 - b) the Bank acquires, including receives as a payment for services, financial instruments owned by the client or sells them to the Bank or the Bank's shareholders;
 - c) transactions are carried out in which the Bank or its employees or authorised persons simultaneously represent the other side of the transaction;
 - d) the managed financial instruments are changed to those that were included in the portfolios of the Bank or the Bank's shareholders;
 - e) the Bank or the Bank's employee receiving any fee or incentive from a third party in the form of any monetary or non-monetary benefit or services in connection with the provision of services to the client;

- f) the client's assets are involved in a personal transaction;
 - g) the client's assets are used in securities financing transactions;
 - h) the client does not meet the target market of the service, but the Bank may be interested in providing the service to the client in the cases mentioned in subclauses a.–g. of Clause 6.10.4;
 - i) significant business relations with a joint-stock company, in shares of which the client's funds are invested, or the Bank owns the shares of this joint-stock company, which gives the right to get involved (participate) in the management of the joint-stock company.
- 6.10.6. The Bank separates the structural units that accept and execute the client's orders for transactions with financial instruments so that they are independent:
- 6.10.6.1. the employee does not make decisions on issues in which he/she or a person related to him/her has interests that conflict with the interests of the Bank or the client;
 - 6.10.6.2. employees of the structural units that accept and execute the client's orders for transactions with financial instruments do not exchange information with employees of other structural units of the Bank, if such an exchange of information may harm the client's interests;
 - 6.10.6.3. those employees who accept and execute customer orders for transactions with financial instruments and whose interests may conflict with the Bank's interests are specially monitored;
 - 6.10.6.4. the remuneration of the employees of the structural units that accept and execute the client's orders for transactions with financial instruments, does not depend on the remuneration of other employees, if a conflict of interest may arise due to these activities.
- 6.11. The Bank has the right to determine that the Bank's clients, who are also officials/employees or persons related to the Bank, need the Bank's permission to conduct the personal transaction.
- 6.12. Officials/employees or persons related to the Bank informs the Bank of the personal transactions carried out. The Bank creates and maintains a register in which it stores information about the transactions carried out both in the Bank and outside the Bank, based on the information provided by the relevant persons or discovered in the course of supervision.
- 6.13. Conflict of interest prevention measures for persons who develop investment studies are carried out in accordance with the requirements of this Policy and related internal regulatory documents.
- 6.14. Persons who are holders of the Bank's inside information are prohibited to:
- a) disclose, use or transfer internal information to third parties, except when such information is disclosed or transferred in the course of performing one's work or professional duties;
 - b) based on inside information, acquire or dispose of financial instruments on behalf of themselves or another person, as well as recommend or instruct another person to acquire or dispose of financial instruments;
 - c) carry out transactions on the secondary market with financial instruments issued by the Bank for 1 (one) month until the moment of publication of the Bank's financial report;
- 6.15. The Bank informs the holder of insider information that this person is included in the list of insider information holders of the Bank and about the requirements of the Bank's regulatory documents regarding the procedure by which these persons may conduct transactions with financial instruments issued by the Bank.
- 6.16. If the holder of inside information of the Bank is a member of the Board, a member of the Council, the Head/Deputy Head, an auditor of the Internal Audit or a member of the Audit Committee, he/she informs the related persons about the inclusion of the related persons in the list of the holders of inside information of the Bank, as well as about the requirements of internal documents regarding the procedure by which the persons included in the list of insider information holders may conduct transactions with financial instruments issued by the Bank.
- 6.17. In order to prevent unfair transactions and market manipulations, the Bank, when carrying out operations with financial instruments, takes into account the requirements of the Bank's regulatory documents;
- 6.18. If the conflict of interest situation assessed by the Bank's employee meets the characteristics of Group B, the Bank's employee assesses (if possible to estimate) the financial losses to the Bank in the event of a conflict of interest:
- a) if the actual/potential losses exceed 5,000 EUR, the Board is informed, which makes the final decision on further action;

- b) if the actual/potential losses do not exceed 5,000 EUR or it is not possible to assess the extent of the losses, the supervising vice president or the member of the Board of the relevant structural units is informed, who makes the final decision on further action.
- 6.19. Measures for the management of conflict of interest situations in relation to transactions with financial instruments:
- a) in cases where financial instruments are developed/issued for the purpose of sales to clients – maintain, implement and review at least once a year the process of approval of each financial instrument and significant adjustment of the developed financial instruments, its first sale or distribution to clients;
 - b) at least once a year also reviews its sold financial instruments, taking into account all cases that could significantly affect the possible risks of a specific target market, in order to assess at least whether the relevant financial instrument still meets the needs of the specific target market and whether the intended distribution strategy corresponds to the specific target market;
 - c) information about the developed/sold financial instrument is placed on the Bank's website www.rietumu.com, which clarifies the specific target market of end clients of each financial instrument client category and ensures that all risks that exist in a specific target market are assessed and the distribution strategy corresponds to the specific target market. The information on the developed/sold financial instrument includes warnings about the risks associated with investing in such a financial instrument or a specific investment strategy, and whether the financial instrument is intended for private clients or professional clients, taking into account the target market defined for the financial instrument.

Group C – employees

- 6.20. The actions of the Bank's employees in connection with conflict of interest situations are regulated by the Bank's regulatory documents.
- 6.21. If the conflict of interest situation meets the characteristics of Group C, information about the relevant case is sent to the head of the corresponding structural unit and the supervising vice president or the Board Member of this structural unit, who make the final decision on further action.

7. Special conditions for choosing an external auditor

- 7.1. The Bank, when choosing an external audit provider:
- 7.1.1. makes sure that there is no conflict of interest when choosing an external inspection provider and separately evaluates possible conflicts of interest in relation to natural persons (experts) who will actually carry out the inspection, give an opinion, draw conclusions and conclusions;
 - 7.1.2. refrains from situations that can be interpreted in different ways and raise suspicions about the objectivity and independence of the examiners;
 - 7.1.3. evaluates the experience, competence and certification of the external auditor in the relevant field of inspection;
 - 7.1.4. documents the conflict of interest risk assessment process;
 - 7.1.5. asks the potential examiner to confirm in writing the fact that the examiner has no information or facts at his/her disposal that could create a conflict of interest situation;
 - 7.1.6. takes precautionary measures to verify the truth of the written confirmation (declaration) of the examiner.
- 7.2. In case of ambiguous situations, the Bank may request the opinion of Latvijas Banka.
- 7.3. Offers of independent external auditors are reviewed by the Board and a final decision is made on the necessity, selection and engagement of the external independent auditor.

8. Preparation of conflict of interest management reports, data collection and updating

- 8.1. The Chief Risk Officer submits a report on the risk management process, capital adequacy and the implementation of the Bank's strategic development plan to the Board and the Risk Committee of the Council for each quarter by the 15th of the following month, as well as informs about the identified conflict of interest situations and the measures taken for their management and prevention.
- 8.2. Once a year, the Board in cooperation with the Bank's responsible structural unit submits a report to the Risk Committee of the Council and the Council on the management of conflict of interest situations.