

AN EXCERPT FROM JSC “RIETUMU ASSET MANGEMENT” IMC POLICY ON MANAGEMENT OF CONFLICTS OF INTEREST

Apstiprināts AS „Rietumu Asset Management” IPS Valdes 04.02.2020. sēdē, protokols Nr. 4

1. General provisions

- 1.1. The situation of the conflict of interest is a situation where an employee JSC “Rietumu Asset Management” IMC (hereinafter – Company), while performing his/her professional duties should make a decision or perform other actions related to the performance of the official duties, which influence or could influence the private or material interests of this employee, his/her relatives or business partners.
- 1.2. The Company ensures that its employees can report on possible or identified cases of the conflict of interest in their activity or the activity of other employees.
- 1.3. Sabiedrība nodrošina interešu konflikta identificēšanu un novēršanu darbībā ar ieguldījumu fondu apliecībām un citos pārvedamos finanšu instrumentos, kas apliecina līdzdalību ieguldījumu fondos.
- 1.4. Interešu konflikta situāciju vadību sabiedrībā nodrošina sabiedrības Valde, ievērojot:
 - laws and regulations of the European Union;
 - laws and regulations of the Republic of Latvia;
 - regulatory requirements of the Bank of Latvia and the Finance and Capital Market Commission;
 - international standards and recommendations of the industry.

2. Goal and objectives

- 2.1. In order to identify the possible situations of the conflict of interest, evaluate and manage these situations and to establish the measures to eliminate the situations of the conflict of interest *JSC “Rietumu Asset Management” IMC Policy on Management of Conflicts of Interest* (further – the Policy) is developed.
- 2.2. In order to achieve the pursued goal, the Company carries out the following tasks:
 - identifies, documents and eliminates the situations of the conflict of interest;
 - ensures the mutual independence of the structural units between which the conflict of interest may arise (different subordination, separate information flow);
 - ensures the clarity, accuracy and authenticity of the information provided to the clients of the Company;
 - ensures that the conditions of the deals of the persons related to the Company and the Company’s employees that may encounter the situation of conflict of interest do not differ from those, which are offered to the persons unrelated to the Company;
 - ensures that the Company's employees, while performing their official duties, eliminate the occurrence of the conflict of interest and abstain from taking the decisions on the Company's deals, where these persons face or could face the conflict of interest;
 - ensures that all the employees follow the rules and conditions of the management of the situations of conflict of interest;
 - ensures, that the Council of the Company for the realization of the supervisory functions is informed about the identified situations of the conflict of interest and measures undertaken for their elimination. The Board of the Company ensures the application of the necessary corrective measures.

3. Porcedure of reporting, submitting and documenting situations of the conflict of interest

- 3.1. The Company receives the information about the situations of the conflict of interest in the following ways:
 - employees report the situation of the conflict of interest, which he/she has faced;
 - employees report the situation of the conflict of interest, which another employee has faced;
 - the situations of the conflict of interest identified during the planned or unplanned inspections as well as in a result of the financial monitoring.

4. The possible situations of the conflict of interest

- 4.1. The Policy applies to:
- 4.1.1. persons which in accordance with the binding JSC “Rietumu Banka” *Procedure of Identification of Persons Associated with the Bank* are classified as associated persons;
 - 4.1.2. employees of the Customer Servicing and Sales Department and/or employees of the Assets Management Department of the company;
 - 4.1.3. Chairman of the Council, Council member, Chairman of the Board, Board member of the company, attracted agents or other persons who when passing relevant decisions on behalf of the company create civil liability for the company;
 - 4.1.4. Chairman of the Council, Council member, Chairman of the Board, Board member of the company’s attracted agent or other persons who when passing relevant decisions on behalf of the attracted agent create civil liability for the company;
 - 4.1.5. an employee of the attracted agent;
 - 4.1.6. a lawyer of the Financial Markets Legal Division of Legal and Compliance Department of JSC “Rietumu Banka”, a specialist of JSC “Rietumu Banka” Risk Management Department or other specialist of JSC “Rietumu Banka” who in accordance with the concluded outsourcing agreement is directly involved in the provision of the outsourcing service.
- 4.2. The Company takes all the necessary actions, in order to identify and prevent the situations of the conflict of interest that might arise, when providing the investment services or in other circumstances:
- 4.2.1. Providing the consultations for the investment in the financial instruments. The aim of the provision of the consultation is the provision of such a consultation that corresponds to the interests of the particular client. While providing the consultation, the situations of the conflict of interest may arise:
 - between the client and the fund, that are acquiring or emitting the financial instruments;
 - between the client and the Company/person related to the Company, while selling the financial instruments, that were emitted by the Company/person related to the Company on more favorable terms;
 - between the client of the Company, who pursues personal and strategic interest in regard to the question concerning which consultation was provided.
 - 4.2.2. Management of the funds. The management of the funds concerns the increase of the profitability of the portfolio of the fund. By providing services of the management of the funds to a particular fund, there exists a possibility that the situations of the conflict of interest may arise:
 - between the funds, that are under the management of the Company in a case when the Company will exercise inappropriate separation of the assets, and the principle of the separation of the assets will create an unjustified advantage for the one fund over the other;
 - between the clients of the Company and the funds, that are under the management of the Company, when the Company as the manager of the fund is interested in the selling of the certificates of the investment funds to increase the commission for the management services, that is dependent on the amount of the emitted certificates of the investment fund, that is, from the amount of the assets of the fund.
 - 4.2.3. Individual management of the client’s portfolio. The possible situations of the conflict of interest may arise:
 - between the client of the Company and the Company/person related to the Company, when the Company takes the decision to conclude the deals in the name of the client and for each such deal it retains from the Client the commission for the fulfilment of the order, and the person related to the Company pursues the interest to increase commission income received in such way, and the Company is interested to increase the variable part of the remuneration, that is dependent on the given commission income.

- 4.3. The conflict of interest may arise when the Company or a person related to the Company that directly or indirectly controls the Company:
 - 4.3.1. could obtain the profit or prevent the financial losses at the expense of the fund;
 - 4.3.2. is interested in the outcome of a service provided to the fund or to another client or of a transaction carried out on the behalf of the fund, and it is contrary to the interests of the fund;
 - 4.3.3. has a financial or other interest in acting for the benefit of another client or a group of clients rather than in the fund's interests;
 - 4.3.4. carries out the same activities both in the interest of the fund and the client or a group of the clients other than the fund;
 - 4.3.5. receives or will receive an inducement from a person other than the fund for the management services provided to the fund in the form of the monies, goods or services other than a standard fee or a commission for that service;
 - 4.3.6. may be interested in the activities carried out when providing management services to the clients.
- 4.4. When identifying the types of the conflict of interest, the company additionally takes into account the following:
 - 4.4.1. the interests of the Company, including the interests arising from the affiliation of the Company to its parent company JSC “Rietumu Banka” or from the performance of the services and activities, and the interests of the clients and the responsibility of the Company towards the fund;
 - 4.4.2. the interests of two or more funds under the management of the Company.