



I N D U S T R A



**POLICY FOR PREVENTION OF
CONFLICT OF INTERESTS**

1. PURPOSE

- 1.1. The Policy for Prevention of Conflict of Interests has been developed for assistance in determining the general requirements for the establishing of the internal control system, which the Bank must observe in order to timely identify and adequately manage any situation of a conflict of interests in the provision of financial services, including investment services and ancillary investment services to customers.

2. TERMS AND ABBREVIATIONS

Bank	AS „Industra Bank”
Conflict of interests	A situation that may arise between the Bank, including its employees, Related persons and the Customer, as well as between Customers of the Bank, when interests of those persons clash, as well as a situation when a Bank employee in performing his/her official duties, has to adopt a decision where the employee has direct or indirect personal material or non-material interest or to participate in the adoption of such decisions
Customer	A private or legal person, whom the Bank provides financial services
Investment services and ancillary investment services	Services, which are mentioned in the Financial Instruments Market Law of the Republic of Latvia, and which are provided by the Bank
List	List of persons related to AS „Indusrtra Bank” within the scope of the procedure for the prevention of conflict of interests in the provision of investment services and ancillary investment services
Person	Member of the Bank’s Board or Council, or a key function holder
Personal transaction	A trade transaction in financial instruments performed by a Related person or performed in favour of this person if at least one of the following criteria is valid: <ol style="list-style-type: none">1) the performed transaction is not part of the Related person's work or professional duties;2) the transaction is executed on the account of the Related person;3) the transaction is executed on the account of Related person's Relative, who has had a shared household with the Related person for at least one year before such transaction;4) the transaction is executed on the account of other person that is linked to the Related person in such a way that the latter has a direct or indirect material interest in the result of such transaction, which is not a transaction execution fee.

Policy	Policy for Prevention of Conflict of Interests
Related person	<p>a) Chairman, member of the Bank's Board or Council;</p> <p>b) Bank employees, who are involved in the provision of investment services of the Bank, or who control this activity: Head of Internal Audit Division, Risk Director, Compliance Director, Financial Monitoring Department Head, Compliance Control Head, Treasury Department Head and employees, Customer Investments Division staff, Investment Services Back Office, Financial Operations Back Office</p>
Relative	A person having family relationship with a Related person: the spouse of the relevant Related person or any partner of that person considered by national law as equivalent to a spouse; a dependent child or stepchild of the Related person; any other relative of the Related person who has shared the same household with that person for at least one year on the date of the personal transaction concerned

Other terms used in this Policy are to be interpreted as defined in Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

3. GENERAL PROVISIONS

- 3.1. The Bank shall take measures for the identification and prevention of Conflicts of interests that may arise in the provision of financial services between the Bank, including Bank employees, and the Customer, as well as between Customers.
- 3.2. Bank employee shall make the Customer aware of the basic principles set out in the Policy by explaining to the Customer the nature of a situation of conflict of interests and consequences thereof before the provision of financial service.
- 3.3. The Bank shall ensure such internal organization structure in place, which shall contribute to an effective management of Conflicts of interest, minimizing the likelihood of any such situation of a Conflict of interests.
- 3.4. The Bank's Council shall revise and approve the Policy and ensure its revision at least once a year, taking into account:
 - changes in the binding legislation;
 - assessment of the compliance of internal control over financial services, including in the area of Investment services, with legislative provisions;
 - introduction of new financial services;
 - analysis of generally accepted international practice;
 - other changes.

- 3.5. The Bank shall develop and update the List in order to ensure the management of Conflicts of interest situations in the area of Investment services and/or ancillary services.
- 3.6. The Risk Director and Customer Investments Management unit shall take charge of the development and update of the Policy.
- 3.7. The policy shall be applied to all Bank employees, including the board and the council, as well as AS “Industra Finance” – a subsidiary undertaking of the Bank.
- 3.8. Policy requirements are applicable to the activities of the Bank's branch abroad as far as those are not in conflict with the requirements of legislation and regulatory enactments that are binding on the relevant foreign credit institutions.
- 3.9. The Policy is available on the Bank’s website at industria.finance. The Bank shall inform its customers about significant changes in the Policy.

4. BASIC PRINCIPLES OF PREVENTION OF CONFLICT OF INTERESTS

- 4.1. The Bank shall take all necessary and possible measures in order to identify and manage Conflicts of interests which may arise between the Bank, including its employees, persons that are directly or indirectly related to the Bank or control the Bank and the Customer, as well as between customers of the Bank:
 - 4.1.1. the Bank shall ensure that all employees of the Bank who are involved in the provision of financial services, within the scope of their responsibilities and according to the Bank's customer service regulations, shall apply fair treatment of the Customer and consider Customer's interests in the best possible manner;
 - 4.1.2. the Bank shall not engage agents for the provision of financial services to its Customers;
 - 4.1.3. within the scope of financial investment services, the Bank shall neither offer nor issue to Customers information (including any analytical data, documents) which directly or indirectly proposes or suggests an investment strategy in relation to one or more financial instruments or issuers of financial instruments, including any opinion about present or future value of such instruments or future price, which is intended for public distribution channels or public.

If, upon providing Investment services and/or ancillary investment services, the Bank discloses any investment surveys, developed by third parties, it shall ensure that the developer of such survey is mentioned, that there are no substantial changes made in its contents, and shall provide information about the legal entity which developed the investment survey;
 - 4.1.4. when distributing marketing announcements (opinions about present or future value of such financial instruments or future price, intended for public distribution channels or public), the Bank shall label it as a marketing announcement and shall mention that the information has not been provided to the Customer as an advice on investments in financial instruments.

5. IDENTIFICATION OF CONFLICT OF INTEREST

- 5.1. The Bank shall make use of all available information, in order to identify all possible circumstances and situations, which may cause or create a basis for a

Conflict of interests in relation to certain types of financial investment services provided by the Bank.

- 5.2. There is a Conflict of interests in any such case when a decision of Bank's responsible employees about an financial service provided to a specific Customer is materially influenced by another person's interests, for example, interests of the Bank, its employee or any of its Customers, instead of being based on well-founded considerations about the respective transaction merely in the interests of the specific Customer.
- 5.3. Employees should avoid any such situation that may create a Conflict of interest between their work and their private interests, or may be deemed as a situation inducing a conflict of interest.
- 5.4. In the identification of circumstances inducing a conflict of interests, the Bank shall consider situations in which the Bank, its employees may:
 - gain profit or prevent financial loss on the Customer's account;
 - be interested in the result of a service provided to the Customer or performed on behalf of the Customer, which does not correspond to Customer's interests;
 - be interested (including under influence of a financial incentive) to act in favour of another Customer or group of Customers, irrespective of whether the financial incentive is in the form of money, products or services, and it is not a standard commission, which is otherwise received by the executor as a commission for the provided service;
 - perform the same professional activity as the Customer;
 - receive a compensation from another person for the service provided to the Customer in the form of money, products or services, which is not a standard fee for such service;
 - when several positions are concurrently combined, hold a position in a company, not related to the Bank, which is engaged in financial services.
- 5.5. A Conflict of interest may arise:
 - 5.5.1. between the Bank and its Customers;
 - 5.5.2. between Customers or interlinked group of Customers;
 - 5.5.3. between the Bank's employees and Customers;
 - 5.5.4. between any member of the council, a member of the Board or an employee and the Bank.
- 5.6. A Conflict of interest exists if the interests of a member of the management body can adversely affect the Bank's interests. A Conflict of interests between a member of the council, a member of the board or a key function holder and the Bank may occur in the following situations:
 - Person makes business (privately or through an enterprise) with the Bank or its subsidiary;
 - Person also holds a managerial or senior position in any competing company of the Bank or its subsidiary;
 - Person is one of the parties of the proceeding against the Bank or its subsidiary;
 - Person or a person with whom he/she has a close personal relationship¹ has qualifying holding² or financial commitments for the Bank / its subsidiary / Bank's customer(s) / Bank's competitor(s);

¹ Personal relationship stands for marriage, relationship with a registered partner, unregistered cohabitation, the relationship between children and parents or other relationships between persons sharing the same housing.

- Person is in close personal, professional and economic relations with a member of the board of the Bank or its subsidiary, key function holder or a shareholder with a qualifying holding;
 - Person or a person with whom he/she has a close personal relationship has a great political influence.
- 5.7. Within the scope of Investment services and ancillary services provided by the Bank, Conflicts of interests or situations of potential conflicts may arise mainly in the following situations:
- when selling and buying financial instruments at the same time on behalf of the Customer;
 - when executing orders of the Customer and concurrently performing transactions via one's own account;
 - concurrently executing orders of transactions in financial instruments of two different Customers;
 - when performing Personal transactions;
 - when providing consultations and financial services to one Customer in relation to an auction, and simultaneously financial services are provided to another Customer in relation to the same auction;
 - when providing assets management services:
 - providing regular portfolio management services, and independently transferring assets of the Customer's portfolio;
 - when providing portfolio management services and placing orders to a related brokerage firm;
 - when issuing or receiving payments or other type of benefits (for example, goods or services) in relation to services provided to the Customer ("incentives"). The Bank shall issue or receive such payments only in cases, when such a payment improves its ability to provide a specific service to the Customer, or is necessary for the Bank to be able to provide such service to the Customer, and which in the future, by its nature, cannot conflict with the Bank's obligation to act in an honest, fair and professional manner, in the Customer's best interests;
 - when providing consultations on Investment services;
 - when offering financial instruments to Customers for which the Bank has entered into a distribution agreement thereof and receives commission thereto;
 - when receiving financial or other inducements that affect the actions of the Bank's employee in such a way that any Customer gets advantage over other Customers;
 - when providing both investment advisory services and lending and financing services to the same Customer.
- 5.8. Along with the development of the Internal control system, the Bank shall establish the procedure according to which employees, who are involved in the provision of financial services to Customers, shall identify the conditions that

² The qualification of shares depends on the value (in financial terms) of the holding or liabilities with regard to the financial resources of the Person. The non-qualifying income is any performing secured loan of private individuals without any benefits (e.g. mortgage agreement of a private individual), and any other loans without benefits that amount up to 100 000 EUR (secured or non-secured, performing or non-performing), current shareholding $\leq 1\%$ of the institution's capital/shares or other investments of equal value.

cause or may cause a Conflict of interest, as well as shall prescribe the procedure for documenting of identified or potential situations of Conflict of interests.

- 5.9. The Bank shall regularly control and update information about those financial services, as well as situations, which have caused or may cause a Conflict of interests resulting in a significant threat to interests of one or several Customers.
- 5.10. The Bank shall put in place a procedure for decision-making through the evaluation of situations of Conflicts of interests.
- 5.11. Where measures taken by the Bank for managing a situation of Conflict of interests do not ensure the prevention of risk of causing damage to the Customer, the Bank shall explicitly disclose to the Customer the nature and/or sources of the Conflict of interests before engaging in the provision of financial services.

6. MANAGING AND PREVENTION OF CONFLICT OF INTERESTS

- 6.1. Management of Conflicts of interests shall include principles of fair business practice and employee ethics in the documents regulating activities of the Bank, indicating the following key principles:
 - business of the Bank is carried out based on appropriate standards of honesty and best business practice;
 - procedure established for the Bank to control how its employees comply with the principles of ethical conduct and fair business practice in their relationships with Customers;
 - there are clear principles and order for allocation of job responsibilities, to prevent, to the extent possible, arising of any such conflict of interests which may cause harm to Customers' interests;
 - the Bank has allocated the functions of employees for execution of transactions on behalf of the Customer and the Bank;
 - the aforementioned principles for allocation of responsibilities shall be appropriately displayed in the Bank's organization structure, regulations of structural units, employee job descriptions, as well as in all authorization levels and procedures for decision making, and their control mechanisms shall be included in the Bank's internal control system;
 - there are clear guidelines set for the behaviour of the Bank, managers and employees of its structural units, when dealing with situations, where relationships with Customers might include offering or accepting a gift or entertaining event (incentives).
- 6.2. The Bank shall determine a set of measures for managing the information flow related to financial services, provided also that:
 - in the provision of certain financial services, which are related to information processing, the flow of information shall be physically separated where any possibility exists that customers' interests can be affected;
 - limited access to information by employees shall be established and controlled;
 - effective procedures are developed in order to prevent and control information exchange between employees of the Bank and Related persons, whose operations are related to a risk of Conflict of interests, if such information exchange may harm interests of one or several Customers;

- special supervision shall be provided to the Bank's employees, whose main responsibilities include execution of activities on behalf of Customers or provision of services to Customers, as well as Related persons, i.e. persons, directly or indirectly related to the Bank, or who represent any other interests, including interests of the Bank, which may conflict with Customer's interests;
 - measures are taken, which control simultaneous or sequential involvement of Bank's employees and Related persons in the provision of various Investment services or ancillary investment services, if such involvement may weaken appropriate management of Conflicts of interests;
 - direct connection is ruled out between the remuneration or income gained by employees of the Bank and Related persons, i.e. persons who are directly or indirectly related to or control the Bank, by evaluating whether the remuneration of employees gained for the fulfilment of their job responsibilities does not compromise employee's objectivity and does not conflict with generally accepted practice for the protection of Customer's interests;
 - there are specific measures applied which prevent or limit inappropriate influence of third parties on the process of provision of financial services at the Bank;
 - there are specific measures applied in relation to investment surveys which are available to the Bank and which have been done by third parties, the procedure for their application and distribution, as well as there are clear rules defined and applied for the provision of consultations to Customers.
- 6.3. The Bank shall set restrictions for Personal transactions of Related persons, by prohibiting to:
- perform a Personal transaction based on the internal information which is available as a part of fulfilling his/her job and professional duties at the Bank;
 - perform a Personal transaction by use or inappropriate disclosure of information containing transaction secret, or perform a Personal transaction which conflicts with the provisions of this Policy;
 - advise any third person to perform such a transaction with financial instruments which, for the person who advised the transaction, would be classified as a Personal transaction, except in cases, when a transaction is suggested along with fulfilling job or professional duties;
 - disclose to third persons any information or opinion, if the person, who disclosed the information, knows or should know, that, as a result of information disclosure, the third person will or might carry out or might advise any other person to carry out such a transaction with financial instruments which, for the person who advised the transaction, would be classified as a Personal transaction, except in cases, when a transaction is suggested or opinion is expressed along with fulfilling job or professional duties.
- 6.4. The Bank shall determine the basic principles of relations between the Bank and its employees:
- Bank employees shall not be involved in transactions and / or issues on behalf of the Bank in which they themselves or their closely related persons may have their own interests that are in conflict with the interests of the Bank or the Bank's Customers;
 - Bank employees may not hold a position in the board or the council of companies that have business relations with the Bank;

- Bank employees do not engage in commercial activities, which may lead to a conflict between private and Bank's interests; personally or on behalf of third parties without prior Bank consent;
 - Bank employees shall not undertake work commitments in another company without prior consent of the Bank;
 - Bank employees are prohibited from obtaining additional income from transactions of the Bank, if this is not specified in the Bank's regulatory documents;
 - Bank employees shall refuse to accept any gifts in any transaction related to the Bank's work, they may not accept an invitation to participate in any event if there is a suspicion of a potential Conflict of interest or damage to the Bank's reputation;
 - Bank employees shall act honestly and responsibly in any negotiations about a possible transaction outside the Bank, avoiding any benefit to the personal interests of their relatives, friends and acquaintances.
- 6.5. The Bank shall determine requirements for the documentation of Conflicts of interest and the exchange of information thereof:
- the List shall be elaborated and maintained;
 - all persons, included in the List, shall be made aware of the provisions of this Policy, and these persons shall provide written confirmation that they have understood the provisions of this Policy and agree abide by them;
 - persons, included in the List, shall be informed of their obligation to notify the Bank of any Personal transactions concluded by them and of Bank's restrictions in relation to Personal transactions, that shall be confirmed by the above-mentioned persons with their signature. The Bank shall rely on the information provided by these persons regarding their Personal transactions provided that it does not conflict with any information in the Bank's disposal;
 - up-to-date, complete and accurate information shall be provided about Personal transactions of Related person.
- 6.6. The Bank shall establish and keep a register with information about Personal transactions of the persons included in the List, based on the information provided by these persons or obtained by internal control function, compliance control function, risk control function or internal audit function.

7. ALLOCATION OF TASKS AND RESPONSIBILITY IN MANAGING AND PREVENTION OF CONFLICT OF INTERESTS

- 7.1. The Bank's Council shall monitor how the Bank's Board ensures prevention and management of situations of conflicts of interests, and shall fulfil the following functions:
- determine the allocation of tasks among members of the Council and the procedure for information exchange between the members of the Council and the Board in issues related to the prevention and management of situations of conflict of interests;
 - determine the responsibilities of Board members in relation to the prevention of conflicts of interests and the procedure for evaluation of their management results;
 - supervise prevention and management of situations of conflicts of interests in the Bank, as well as approve and at least once per year revise the Policy, and evaluate the efficiency of the management of conflicts of interests;

- supervise improvement of management of situations of conflict of interests on a regular basis according to changes in the Bank's operations.
- 7.2. The Bank's Board shall ensure, and hold responsibility for the identification, prevention and management of situations of conflicts of interests, maintaining and improving of the necessary organizational structure and regulations, by fulfilling the following functions:
- to ensure the implementation of principles of the management policy of situations of Conflict of interests, specified by the Council, in the practical operations of Bank's structural units;
 - to approve procedures for the identification, control and management of situations of Conflict of interests, and to ensure their regular update;
 - to ensure appropriate qualification and sufficient experience of employees of Bank's structural units in issues regarding the identification, control and management of situations of Conflicts of interests;
 - to evaluate the results of management of situations of Conflicts of interests in the Bank, based on information provided by the heads of structural units;
 - at least once a year, to submit a report to the Bank's Council on the results of management of situations of Conflicts of interests in the previous calendar year, including all information that enables the Bank's Council to evaluate the efficiency of management of situations of conflict of interests and, if necessary, suggests changes to improve its efficiency, considering changes in the Bank's operations.
- 7.3. In case of a reasonable need, the Board of the Bank shall be entitled to supplement and modify the Policy for prevention of Conflict of interests and to inform the Council of the Bank about such changes at the next meeting.
- 7.4. Employees, who provide Investment services to Customers, shall fulfil the following functions in the identification, prevention and management of situations of Conflicts of interests:
- in carrying out their tasks, shall comply with the provisions of this Policy and the provisions of the procedure for management of conflicts of interests approved by the Board of the Bank, and shall suggest reasonably relevant changes in them;
 - provide the managers of the Bank or respective structural unit with prompt information about any identified or potentially possible cases of Conflicts of interests according to the order prescribed in the procedures;
 - record all existing and potential purchase and distribution services of financial instruments in order to identify potential Conflicts of interest in a timely manner in accordance with the criteria specified in this Policy;
 - store, summarize and regularly update information about such types of Investment services and ancillary investment services, which have caused or may cause a conflict of interests, that seriously endanger interests of one or several customers, and shall submit this information to the management;
 - disclose information regarding situations of Conflict of interests to the Customer according to the procedure set by the Bank;
 - take part in employee trainings organized by the Bank or in events organized for information dissemination to Customers.
- 7.5. The Internal Audit Division, in accordance with the work plan approved by the Bank's Council, shall perform independent control of the management of situations of Conflict of interest.

- 7.6. The Compliance control unit shall ensure the evaluation of management of Conflict of interest situations by performing the control of transactions related to Investment services and ancillary investment services.

8. RELATED DOCUMENTS

8.1. External Regulations

Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive

Financial Instruments Market Law of the Republic of Latvia

Law on Protection of Investors of the Republic of Latvia

Financial and Capital Market Commission Regulations No.153 *On Information Provided to Customers in the Course of Investment Services about Investment Services, Financial Instruments, Costs of Service and Performed Transactions*

Financial and Capital Market Commission Guidelines No.59 *On the Application of Separate Norms of the Financial Instruments Market Law That Govern Investment Services*

Financial and Capital Market Commission Regulations No.139 *On the Procedure for Reporting of actual and alleged violations under Regulation No. 596/2014.*

8.2. Internal Regulations

Policy for the Prevention of Conflict of Interests in the Provision of Investment Services and Ancillary Investment Service

List of Persons Related to AS “Industra Bank” under the Procedure for the Prevention of Conflict of Interests in the Provision of Investment Services and Ancillary Investment Services