



**APPROVED BY:**

The decision of the meeting of the Council of AS "PrivatBank" from 18 June 2020 (minutes No. 12/2020)

**REVIEWED BY:**

The decision of the meeting of the Board of AS "PrivatBank" from 9 June 2020 (minutes No 31/2020)

**REVIEWED BY:**

The decision of the meeting of AS "PrivatBank" Methodology Committee from 5 June 2020

(minutes No. 29/2020)

## **Conflicts of Interests Management Policy No. 144-01-08**

**This Policy comes into effect** upon its approval at the Council meeting.

**Replaced/annulled documents:** Conflicts of Interests Management Policy No. 144-01-07, dated: 11.04.2019, Council meeting Minutes No. 02/2019.

**The next policy update** shall be carried out: upon request of the coordinator, yet, at least once a year.

**Riga, 2020**

**Table of contents:**

1.	General provisions.....	2
2.	Key principles of the Policy.....	4
3.	Identification of Conflicts of Interests.....	5
4.	Identification of Conflicts of Interests while conducting transactions with Financial Instruments.....	5
5.	Measures to prevent a Conflict of Interests.....	6
6.	Activities on prevention of a Conflict of Interests while conducting transactions with financial instruments.....	7
7.	Organizational structure of the Bank.....	8
8.	Implementation of personal transactions.....	8
9.	Monitoring system.....	9
10.	Implementation of the Policy.....	10
11.	Annexes and related documents.....	11

**1. General provisions**

**1.1. Policy Status**

- 1.1.1. The Policy is the fundamental document of the Bank in the sphere of Conflicts of interests management, including the field of provision of Investment Services, and establishes:
- 1.1.1.1. the subjects, general signs, and causes of Conflicts of Interests;
  - 1.1.1.2. the mechanism for the prevention and resolution of Conflicts of Interests;
  - 1.1.1.3. other general principles related to the Conflicts of Interests Management.
- 1.1.2. The Policy is the basis for development of other internal regulatory documents of the Bank related to the Conflicts of Interests Management, including those related to the provision of Investment Services.
- 1.1.2.1. This Policy is developed pursuant to:
- The “Credit Institution Law”;
  - The Financial Instrument Market Law of the Republic of Latvia;
  - The Law “On Prevention of Conflict of Interest in Activities of Public Officials”
  - The Financial and Capital Market Commission “Regulations on Establishment of the Internal Control Framework”;
  - The Policy against corruption and restrictions on political activities by the Finance Latvia Association;
  - Commission Regulation (EC) No. 1287/2006 regarding Investment and Ancillary Investment Services;
  - 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

**1.2. Responsibility. Recipients of documentation:**

**Process coordinator:** Head of the Legal Department, Compliance Control Department.

**Responsibility:** this document is binding for all employees of the Bank.

If the Policy execution is impossible, the employee who has discovered this shall immediately notify the head of his structural unit, the process coordinator, who is established in the Policy and the employee of the Compliance Control Department, in order to make amendments.

**Recipients of the Documentation:** All employees of the Bank and the Bank subsidiaries.

**1.3. The terminology used in the Policy:**

AML/CTF Department – Anti-money Laundering and Counter Terrorism Financing Department;

Ancillary Investment Services:

- 1) holding financial instruments;

- 2) issue of credits to an investor for transactions with financial instruments, in case the commercial company, which issues the credit, is involved in a transaction with financial instruments;
- 3) advice regarding capital structure, operational strategy and related matters, provision of advice and services regarding mergers of commercial companies and acquisition of undertakings;
- 4) currency exchange services, if related with provision of investment services;
- 5) provision of investment research, financial analysis or other general recommendations regarding transactions with financial instruments;
- 6) provision of services related to initial placement of financial instruments;
- 7) provision of investment services and ancillary investment services, in case it is related to provision of investment services or ancillary investment services;

Bank – AS “PrivatBank”;

CCD – Compliance Control Department;

Conflict of interests – a situation when the Bank provides services to the Customer, or when the Bank receives services, and, alongside with the Bank interests, there is vested interest of the Related person / MIFID Affiliate / Employee in connection with provision or non-provision of a service to the Customer or, respectively, to the Bank; a situation, where, during fulfilment of work / official duties, there is a risk of a Conflict of Interests between Employees;

Conflicts of Interests Management – timely statement of conditions for occurrence of Conflict of Interests, identification of Conflict of Interests, use of preventive means and resolution of the Conflict of Interests;

Controlling structural units – departments of the Bank, which carry out internal control functions: Compliance Control Department, Risk Control Department, Internal Audit Department, AML / CTF Department;

Customer – a person to whom the Bank provides financial services;

Employee – an individual who has established employment relationships or relationships equivalent thereto with the Bank or its subsidiaries (members of the Board, members of the Council);

Financial instruments (FI) – financial services (instruments) that can be bought and sold on the financial markets: debt securities (bills of exchange, treasury notes, bonds, mortgage bonds, etc.), equities (shares, certificates of investment, etc.), currency and derivative financial instruments (options, futures, etc.), as well as financial services (instruments) that are not traded (deposits, loans, shares in capital companies, insurance contracts, pension fund certificates, etc.);

Gift - a material valuable for which the recipient is not required to pay money. Food, beverages, goods, services and tickets to entertainment / sports / events, seminars, as well as an opportunity to use premises or hotels - are considered gifts. 1) flowers; 2) souvenirs, books or representational objects, in case the overall monetary value of souvenirs, books or representational objects received from one and the same person does not exceed 20 EUR - are not considered gifts;

GRT – General Regulations on Transactions;

IAD – Internal Audit Department;

Investment services:

- 1) acceptance and sending of orders in relation to one or several financial instruments;
- 2) execution of orders on behalf of customers;
- 3) execution of transactions on own account;
- 4) portfolio management;
- 5) investment consultations;
- 6) initial placement of financial instruments, or placement of financial instruments upon undertaking of liabilities to buy out financial instruments;
- 7) placement of financial instruments without undertaking of liabilities to buy out financial instruments;
- 8) DT system organization;
- 9) OT system organization.

LD – Legal Department;

MIFID Affiliates – the following persons:

- the Chairman of the Board and the Chairperson of the Council of the Bank, or members of the Board and the Council, or other persons who, by taking material decisions on behalf of the Bank, create civil liability for the Bank;

- the Employee, as well as another individual, who offers Investment Services/Ancillary Investment Services, and who is involved in execution of Investment Services/Ancillary Investment Services and actions of the Bank;
- a spouse, a partner equal to a spouse, dependent children or stepchildren, or another relative of any aforementioned person, with whom the person shares a joint household for at least one year;

Personal transaction – a trade transaction with Financial Instruments carried out by a MIFID Affiliate or in favour of that person if at least one of the following criteria applies:

- the transaction is concluded beyond performance of job or professional duties by the MIFID Affiliate;
- the transaction is concluded at the expense of the MIFID Affiliate;
- the transaction is concluded at the expense of the spouse of the MIFID Affiliate, their child, stepdaughter / stepson (the child of the spouse who is not the child of this person) or the relative with whom the MIFID Affiliate had a joint household, for at least one year before implementation of the transaction;
- the transaction is concluded at the expense of another person who is associated with the MIFID Affiliate in such a way that the latter has direct or indirect material interest in the outcome of the transaction that is not payment for transaction execution.

Policy – Conflicts of Interests Management Policy;

Qualifying holding - direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking;

Related Parties – the following persons:

- Shareholders of the Bank, who have Qualifying holding in the Bank and the spouses, parents and children of these shareholders – individuals, as well as commercial companies, where the above-mentioned persons have a qualifying holding;
- the members of the Board or the Council of the Bank, Head of the Internal Audit Department, Chief Risk Officer, Chief Compliance Officer and the spouses, parents, children of these persons, as well as commercial companies, where the above-mentioned persons have a qualifying holding;
- subsidiaries of the Bank, as well as enterprises, the shares of which are owned by the Bank (regardless of the extent of share ownership).

Responsible employee - the Head of Compliance Control Department and / or the Head of Legal Department.

## **2. Key principles of the Policy**

- 2.1. The Bank is aware of the negative impact that situations of Conflict of Interests may have on its profitability and reputation.
- 2.2. The Bank implements the Policy in accordance with requirements of regulatory enactments binding thereto, for the purpose of ensuring timely execution of measures for identification, prevention and control of Conflict of Interests.
- 2.3. The primary principles of the Policy are applied in management of the Conflicts of Interests which may arise in any area of Bank activities, if a Conflict of Interests has arisen or may arise between the Bank interests and interests of any Related Party / MIFID Affiliate, which is manifested as receipt of any personal benefits by the Related Party / MIFID Affiliate from realization or non-realization of services provided by the Bank / to the Bank (except for remuneration agreed upon with the Bank for work duties performed by this person).
- 2.4. The objective of the risk management of the Bank, compliance control and administrative functions is to protect the Bank interests while conducting transactions with customers and contributions to financial instruments on their own responsibility. The Employee who fulfils the above-mentioned functions within the course of their work receives classified information about customers, the Bank's financial instrument positions and its operations with them. It is prohibited to misuse this information regarding:
  - 2.3.1. another Bank's customer, including investor – in the interest of the competitors or customers;

- 2.3.2. The Bank's transaction with financial instruments (particularly regarding trading on behalf of the Bank or personal transactions of the Bank's employees).

### 3. Identification of Conflicts of Interests

- 3.1. The Bank identifies the conditions which cause or may cause a Conflict of Interests, that creates significant threat or harm to the interests of one or more Customers, including, but not limited to, for the purpose of preventing occurrence of losses of the Bank:
- 3.1.1. when the service of the Bank is provided to the Related Party / MIFID Affiliate / Employee;
  - 3.1.2. upon provision of the Bank service to the Customer, the Bank and / or the Customer concurrently provide the service to the Related Party / MIFID Affiliate (connection between the Customer and the Related Party / MIFID Affiliate);
  - 3.1.3. upon provision of the Bank service to the Customer, a transaction is concluded, which is directly connected to this service, and one of the parties of which is the Related Party / MIFID Affiliate;
  - 3.1.4. when the Related Party / MIFID Affiliate / Employee directly or indirectly provides the service to the Bank;
  - 3.1.5. when there is a risk of a Conflict of Interests occurring between Employees, during fulfilment of work / official duties.
- 3.2. Before provision of a Bank service or accepting service receipt on behalf of the Bank, an employee is obliged to make sure that there will be no Conflict of Interests during provision / reception of such service. Upon statement of conditions for the emergence of a Conflict of Interests, the Employee shall act in accordance with the Procedure on Interest Conflict Situation Identification and Management.
- 3.3. The Bank constantly monitors and updates information on those services (incl. Investment Services), as well as on situations that caused or can cause a Conflict of Interests, which significantly threatens the interests of one or more Customers (4 c.). The Board of the Bank is informed about the aforementioned situations at least once a year.
- 3.4. In order to identify the Conflict of Interests and control Personal Transactions, the Bank creates and constantly updates the lists of Related Parties and MIFID Affiliates.
- 3.5. In case the organizational or administrative measures, which are determined by the Bank for management of Conflict of Interests, are insufficient for reasonable assurance that the risk of harm to the Customer interests is eliminated, the Bank shall clearly disclose the essence and / or sources of Conflict of Interests to the Customer before initiating provision of relevant Investment and Ancillary Investment Services to the Customer.
- 3.6. The following conditions are not considered as the stipulations for occurrence of a Conflict of Interests:
- 3.6.1. Provision of services by the Bank to a Related Party / MIFID Affiliate / Employee, in accordance with the General regulations on Transactions of the Bank, as to an ordinary Customer, or provision of Bank services to Employees under more beneficial terms, which are described in the procedures approved by the Board;
  - 3.6.2. Provision of services by the Bank to the Customer in accordance with the General regulations on Transactions of the Bank as to an ordinary Customer, in the event of a relation between the Employee and the Related Party / MIFID Affiliate;
  - 3.6.3. Provision of services by the Bank to the Customer in accordance with the General regulations on Transactions of the Bank as to an ordinary Customer, also in cases, when a transaction related to this service is carried out, where one of the transaction parties is the Related party / MIFID Affiliate / Employee;
  - 3.6.4. the transaction takes place between the Bank and its subsidiary (as these transactions lack material / property interest, that creates a risk of Conflict of Interests);
  - 3.6.5. monitoring is not related to fulfilment of duties by the Related Party / MIFID Affiliate, which does not work in a Controlling structural unit.

### 4. Identification of Conflicts of Interests while conducting transactions with Financial Instruments

- 4.1. In order to identify the types of Conflict of Interests that may arise during the provision of Investment and Ancillary Investment Services, the Bank takes into account the situations in which the Bank, the MIFID Affiliate / or a person directly or indirectly controlling the Bank:
- 4.1.1. could profit or prevent financial losses at the expense of the Customer;

- 4.1.2. is interested in the result of a service provided to the Customer or a transaction carried out on behalf of the Customer which does not meet the interests of the Customer;
- 4.1.3. is interested in acting in favour of another Customer or a group of Customers;
- 4.1.4. carries out the same professional activities as the Customer;
- 4.1.5. receives or will receive remuneration for the service provided to the Customer from another person in the form of money, goods or services, which is not a standard fee;
- 4.2. The Conflict of Interests may arise during transactions with Financial instruments in the following situations:
  - 4.2.1. when the Bank concurrently executes two orders of different Customers regarding transactions with identical Financial Instruments;
  - 4.2.2. when the Bank unjustifiably defines prioritised sequence regarding the Bank concurrent execution of two different orders of the Customers for execution of the same transactions with Financial instruments;
  - 4.2.3. when the Bank executes orders of the Customer regarding the same transactions with Financial instruments without fulfilling the relevant submission sequence of orders;
  - 4.2.4. when the Bank executes orders of one or more Customers regarding the purchase/sell of the same Financial instruments, combining the Customer's orders;
  - 4.2.5. when the Bank and the Customer's orders are combined to purchase/sell the same Financial instruments;
  - 4.2.6. when the Bank or the Related Parties / MIFID Affiliates accept or receive the payment/inducement from third parties, which affects their behaviour in such way, that one or more Customers receive advantages over other Customers;
  - 4.2.7. when an Employee of the Bank or a Related Party / a MIFID Affiliate has information about Customer transactions (executed / planned transactions);
  - 4.2.8. while providing portfolio management services, the Bank shall conduct the relocation of the customer's portfolio assets;
  - 4.2.9. the Financial Instruments, belonging to the Bank, are acquired to the Customer's investment portfolio;
  - 4.2.10. when the Bank acquires the Financial instruments belonging to the Customer and sells them to the Bank, receiving payment for such services;
    - 4.2.11. the Bank carries out transactions in which the Bank or Employees has an interest (concurrently representing the second party of the transaction);
    - 4.2.12. when the Bank offers Financial instruments to Customers on its own expense or when the Customer owns the Financial instruments;
    - 4.2.13. when the Bank, while providing Investment and Ancillary Investment Services, has information about Customer's transaction with Financial instruments (existing/planned transactions);
    - 4.2.14. when the Bank or the Employee providing Ancillary Investment Services, which are related to the provision of Investment Services, acts against Customer interests.
- 4.3. The Bank shall not develop and spread investment research, financial analysis and shall not provide other general recommendations regarding transactions with Financial instruments as well as it shall not provide advice regarding capital structure, operational strategy and related matters, it shall not provide advice and services regarding mergers of commercial companies and the acquisition of undertakings, termination of activities, joint enterprises, rising capital and borrowing funds.
- 4.4. The Bank, in accordance with the Customer's individual authorisation, provide consultations on investing in Financial instruments, as well as on individual management of investment portfolio only on a written contractual basis and in full compliance with its limitations, informing Customers regarding possible Conflict of Interests and offering alternative options in order to respect Customer's interests.

## **5. Measures to prevent a Conflict of Interests**

- 5.1. The employee refrains from adoption of decisions and from subsequent contract signing on behalf of the Bank in a transaction, in which one party is the Bank, and the second party is the Employee himself or a person to whom the Employee is a Related Party / MIFID Affiliate / (to establish the connection, apply the last two sub clauses of the definition of Related Party / MIFID Affiliate).
- 5.2. If, contrary to what has been established, the Employee does not waive adoption of a decision during conclusion of a personal transaction and / or from contract signing on behalf of the Bank,

- any Employee who states a discrepancy may propose this. If the Employee is a member of the Council or the Board of the Bank, before adopting a decision on the Personal Transaction of the Bank, the relevant member of the Board or the Council of the Bank shall be obliged to report to the Council / the Board of the Bank that a Conflict of Interests is directly or indirectly arising or may arise.
- 5.3. If the Customer has uncertainties or asks additional questions, the Employee shall provide the Customer with explanations regarding the nature of the Bank service and the results achieved with the help of this service, and shall provide the Customer with detailed explanations about the service provided / offered by the Bank.
  - 5.4. The Customer is provided with complete and objective information about the Bank service. The information provided to the Customer must be accurate, clear, true and not misleading.
  - 5.5. The Bank employees shall not make any gifts to officials and employees of the state and municipal institutions and of capital companies of a public body, and shall take the definition of what is and is not considered a gift, pursuant to the Law "On Prevention of Conflict of Interest in Activities of Public Officials", as a basis.
  - 5.6. The Bank employees undertake to ensure, that all cases, when gifts are made or received, shall not influence objectivity of decision adoption, nor otherwise cause a conflict of interests.
  - 5.7. The Bank clearly discloses the nature of the Conflict of Interests and its possible sources to the Customer, as well as clarifies the principles envisaged by the Bank internal procedures, which are implemented, in order to prevent emergence of a Conflict of Interests and for the settlement of Conflict of Interests in the event of such a conflict in such a way, as not to endanger the Customer's interests and prevent the risk of harm to the Customer's interests. The Bank places the Policy at the Bank website.
  - 5.8. The Bank reviews the Customer's report (application) in connection with possible existing Conflict of Interests within the term and in the order established by the Procedure on Issuance of Statements to Customers, and provides the Customer with a reply.
  - 5.9. The employee of the Supervisory Unit should inform its head in writing, and the head of the Supervisory Unit should, respectively, inform the Board or the Council in writing, on the impossibility of exercising supervisory functions / conducting an inspection. In this case, employees of the Internal Audit Department must act in accordance with the International Standards of Internal auditing and the Code of Ethics.
- 6. Activities on prevention of a Conflict of Interests while conducting transactions with financial instruments**
- 6.1. In accordance with its structure and types of Investment and Ancillary Investment Services provided, the Bank:
    - 6.1.1. ensures control over information exchange between MIFID Affiliates, whose activities present a risk of occurrence of a Conflict of Interests, if this information exchange can harm the interests of one or more Customers;
    - 6.1.2. establishes separate supervision over MIFID Affiliates who carry out transactions on behalf of the Customers (provide services to the Customers) or represent the Bank interests, which may come into conflict with Customer interests - records negotiations with Customers, registers terms in the contracts with Customers, in accordance with the Policy on Executing Orders when Providing Investment Services;
    - 6.1.3. excludes direct connection between remuneration paid to MIFID Affiliates and the income they receive from Investment and Ancillary Investment Services;
    - 6.1.4. prevents negative influence of third parties on the provision of Investment and Ancillary Investment Services;
    - 6.1.5. ensures the storage and continuous updating of information on the types of Investment and Ancillary Investment Services which the Bank provides on its behalf and which cause or can cause a Conflict of Interests which significantly affects (threatens) the interests of one or more Customers.
  - 6.2. Employees of the Bank, whose work obligations are related to the provision of Investment and Ancillary Investment Services to Customers, are obliged to be sure that there is no Conflict of Interests prior to providing Investment and Ancillary Investment Services. If the circumstances of the occurrence of Conflict of Interests are ascertained, the Employees of the Bank must act in accordance with this Policy and with the Procedure on Interest Conflict Situation Identification and Management.

- 6.3. In order to prevent Conflict of Interests which may arise while executing the Customer's order, during implementation of the Policy on Executing Orders when Providing Investment Services, the Bank shall ensure best execution of the Customer's order, insofar as this is possible. However, in case Conflict of interests is inevitable, the Customer's order is executed properly, observing the Customer interests, while the employee of the Bank executing the order or providing services to the Customer clearly discloses the nature and / or sources of Conflict of Interests to the Customer.

## 7. Organizational structure of the Bank

- 7.1. The Bank ensures creation of an internal organizational structure which would minimize the possibility of occurrence of a Conflict of Interests between the Bank, Employees, Related Parties, MIFID affiliates, the persons, who directly or indirectly control the Bank and the Customer.
- 7.2. The Bank shall establish separate structural units for provision of Investment Services and Ancillary Investment Services, as well as ensure management, internal supervision and audit of these structural units. In order to prevent Conflicts of Interests, the Bank has established separate structural units, the duties of which include:
- 7.2.1. management of the Financial Instruments owned by the Bank;
  - 7.2.2. acceptance and execution of Customer Orders or their transfer for execution;
  - 7.2.3. management of portfolio of assets owned by the Customers and provision of trust operation services;
  - 7.2.4. registration of transactions with Financial instruments and settlements for transactions with Financial instruments.
- In the event that the Bank is unable to structurally distinguish the processes specified in clause 7.2., the Bank restricts them functionally and performs minimum activities to limit / avoid the risk of occurrence of Conflict of Interests in accordance with clause 5 of the Policy.
- 7.3. The Bank shall take the necessary and possible measures to prevent Conflicts of Interests, which may arise between the Bank and its subsidiaries, in accordance with the Procedure on Interest Conflict Situation Identification and Management.
- 7.4. The Bank maintains and constantly updates the List of Related Parties (List), and the list of MIFID Affiliates (MIFID List). The Lists are provided to the responsible structural units of the Bank.
- 7.5. The Bank maintains the Register of Personal Transactions in accordance with this Policy and the Procedure on Interest Conflict Situation Identification and Management.

## 8. Implementation of personal transactions

- 8.1. CCD, in accordance with the Procedure on the Creation, Usage and Update of the List of Related Parties and MIFID Affiliates, shall inform the Employee on granting a "MIFID Affiliate" status thereto, when the Bank includes this Employee in the MIFID Affiliate List and the Employee fills out a standard questionnaire. The responsible employee of CCD shall inform the MIFID Affiliate about limitations defined by the Policy during execution of Personal Transactions.
- 8.2. MIFID Affiliates are prohibited from:
- 8.2.1. concluding a Personal Transaction:
    - 8.2.1.1. on the basis of the internal information which is available to them in connection with execution of their duties,
    - 8.2.1.2. using or improperly disclosing any classified information about the transaction,
    - 8.2.1.3. which contradicts the Policy requirements and other internal regulatory documents of the Bank, required for such transactions;
  - 8.2.2. provision of a third party with recommendation to conclude such transaction with financial instruments, which would qualify as a Personal Transaction for the person who recommended the transaction, except in case when a transaction is recommended during fulfilment of work or professional duties;
  - 8.2.3. disclose information to a third party or express a point of view, if the person disclosing the information knows or should have known that as a result of information disclosure, the third person will either implement or recommend that another person implements such a transaction with financial instruments that upon information disclosure would qualify as own transaction for the person who has disclosed information, or the point of view is expressed during fulfilment of job or professional duties.



- 8.3. MIFID Affiliates can carry out transactions on their own responsibility on any exchange and over-the-counter markets with any Financial instruments and with any trading places, brokers, credit institutions, investment brokerage firms and financial intermediaries.
  - 8.3.1. The Bank provides the MIFID Affiliates with recommendations to conclude transactions with Financial instruments using the Investment Services and Ancillary Investment Services provided by the Bank;
  - 8.3.2. MIFID Affiliates are obliged to immediately inform the Bank about the Personal Transactions they conclude;
  - 8.3.3. The MIFID Affiliate independently transfers information on Personal Transactions, including Personal Transactions carried out in accordance with clause 8.3., to the responsible employee of the Bank, in order to include them in the Personal Transactions Register.
  - 8.3.4. In order to prevent Conflicts of Interests, *in accordance with the Procedure on Interest Conflict Situation Identification and Management*, the Bank observes and controls how MIFID Affiliates comply with the regulatory enactments of the Republic of Latvia, as well as with the internal regulatory documents of the Bank.

## 9. Monitoring system

- 9.1. In order to prevent conditions for occurrence of a Conflict of Interests and to ensure compliance of activities with the process of Conflict of Interests settlement, which is established by the regulatory documents of the Bank, the decision on service provision by the Bank / receipt of the service necessary to the Bank requires approval of at least two Employees (except transactions which are concluded in accordance with the *General Regulations on Transactions* of the Bank, as for a usual Customer).
- 9.2. If the Employee states that Conflict of Interests is inevitable, he / she shall act in accordance with this Policy and with the *Procedure on Interest Conflict Situation Identification and Management*. If the case of Conflict of Interests does not correspond to that described in the internal regulatory documents of the Bank, the Employee shall promptly notify the responsible Employee of the Bank in accordance with the *Procedure on Interest Conflict Situation Identification and Management*.
- 9.3. According to the *Procedure on Interests Conflict Situation Identification and Management*, the Board ensures that the Heads of the relevant structural units of the Bank hear the Employee out and receive information therefrom regarding necessity of improvements, additions or changes to the process of managing Conflicts of Interests, regarding established cases of non-compliance or violations of regulatory documents governing Conflicts of Interests Management (other Employees), regarding non-compliance of other internal regulatory documents of the Bank with observations defined by Clause 9.2 herein, circumventing subordination defined in the *organizational structure of AS "PrivatBank"*. Any responsible Employee defined by Clause 9.3 herein has the duty to verify received information.
- 9.4. The Board shall ensure that the responsible Employees, who have received information from the identified Employee in accordance with clause 9.2. of the Policy do not disclose the source of information during the inspection, if this could pose a threat to the Employee, exposing him to unreasonable discriminatory or disciplinary measures. The Board monitors and ensures that in case of disclosing the source of the information no discriminating or disciplinary measures are taken in relation to the Employee, who provided information in the order established in clause 9.2. of the Policy.
- 9.5. In order to prevent a Conflict of Interests with a Related Party / a MIFID Affiliate, in its internal regulatory documents, the Bank shall define the order, in which compliance of the Employee activities with the Policy and with the regulatory documents related thereto is audited.
- 9.6. At least once a year, the coordinator of the process summarizes the information at his disposal and information previously not summarized on the reports received in accordance with the order established in clause 9.2. of the Policy, having analysed the nature of the reports, the results of the inspections conducted in connection with the report, and the actions taken for Management of the Conflicts of Interests, and provides recommendations to the Board of the Bank on the necessary amendments to the Policy or to related regulatory documents of the Bank.
- 9.7. The responsible employee referred to in clause 9.6. of the Policy, immediately informs the Board of the Bank of the necessary amendments to the Policy or to related internal regulatory documents, if the need for amendments follows from amendments to regulatory enactments binding to the Bank and / or deficiencies are uncovered in the regulatory documents, which

regulate the Conflict of Interests situations, and these deficiencies must be eliminated immediately.

## 10. Implementation of the Policy

- 10.1. In order to implement the Policy in an efficient manner, the Bank develops internal regulatory documents, which define the following:
  - 10.1.1. a unified procedure on transactions in which a service is directly or indirectly provided/received or as a result of which, a Conflict of Interests exists or may arise with the Related Party / MIFID Affiliate / Employee;
  - 10.1.2. Procedure on Interest Conflict Situation Identification and Management;
  - 10.1.3. Procedure on Defining and Paying Salary to Employees, according to the approved Remuneration Policy for Employees Whose Professional Activities Significantly Affect Bank's Risk Profile and Providers of Investment Services.
  - 10.1.4. The regulatory documents of the Internal Audit Department shall contain relevant references to the International Standards for the Professional Practice of Internal Auditing and to the Code of Ethics.
- 10.2. **The employees responsible for implementation of the Policy:**
  - 10.2.1. The Council of the Bank approves the Policy and carries out general supervision over its execution.
  - 10.2.2. The Board of the Bank is responsible for:
    - 10.2.2.1. control over Policy implementation;
    - 10.2.2.2. approval of the procedures necessary for the Policy fulfilment;
    - 10.2.2.3. provision of the conditions and financial resources, attraction of qualified employees necessary for the Policy fulfilment.
  - 10.2.3. **The Head of CCD** is responsible for:
    - 10.2.3.1. implementation of the control activities, as described in Clauses 6.1 and 8.3.4 herein;
    - 10.2.3.2. Creation / maintaining / update of the List of MIFID Affiliates;
    - 10.2.3.3. timely provision of the MIFID Affiliate with information about its inclusion in the MIFID List;
    - 10.2.3.4. keeping and updating of the Register of Personal Transactions in accordance with Clause 7.5 herein;
    - 10.2.3.5. controlling Personal Transactions in the Bank;
    - 10.2.3.6. informing the Board in accordance with clause. 3.3.
    - 10.2.3.7. storage and continuous updating of information on the types of Investment Services and Ancillary Investment Services, which the Bank provides on its behalf and which cause or may cause a Conflict of Interests that significantly threatens (affects in a negative manner) the interests of one or more Customers;
  - 10.2.4. **The Head of Legal Department** is responsible for:
    - 10.2.4.1. timely updating of the Policy at least once a year;
    - 10.2.4.2. implementation of the control activities, as described by clause 3.3 of the Policy;
    - 10.2.4.3. creating/maintaining/updating of the List of Related Parties.
    - 10.2.4.4. timely information of a Related party regarding its addition to the List.
  - 10.2.5. **The heads of departments / branches of the Bank** control compliance of actions of their subordinate Employees to the Policy and to the principles of other internal regulatory documents related to the Policy;
  - 10.2.6. During execution of their duties, the Employees:
    - 10.2.6.1. comply with the Policy and with other related regulatory documents;
    - 10.2.6.2. immediately notify impossibility of compliance with the Policy, the need to introduce amendments to the Policy and / or to related internal regulatory documents;
    - 10.2.6.3. promptly notify undue compliance or non-compliance with the Policy and / or with related internal regulatory documents on the part of other Employees, as defined by clause 9. of the Policy.

10.3. **Internal Audit Department** shall carry out independent audits in accordance with the Policy and the activity plan of Internal Audit Department, which is approved by the Council of the Bank.

## 11. Annexes and related documents

### Related documents

<b>Name</b>	<b>Location</b>	<b>Responsible employee</b>
<i>Policy on Executing Orders when Providing Investment Services</i>	On the internal informational disk of the Bank	Head of Treasury Department
<i>Procedure on Compliance Risk Management</i>		Head of Compliance Control Department
<i>Procedure on Performing Trust Operations</i>		Head of Trust Department
<i>Procedure on Interest Conflict Situation Identification and Management</i>		Head of Legal Department
<i>Procedure on the Creation, Usage and Update of the List of Related and MIFID-Related Persons.</i>		
<i>Operational risk management procedure</i>		Head of Risk Control Department
<i>Remuneration Policy for the Bank employees whose Professional Activity Significantly Affects the Bank's Risk Profile and for Investment Service Providers</i>		Head of Human Resources Department
<i>General Regulations on Transactions</i>	On the Bank's website	Head of Legal Department