



LPB Bank Policy for Managing Conflict of Interest Situations

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1. Terms and abbreviations

- 1.1. **Outsourcing** – activities necessary for ensuring the Bank’s operations, which the Bank does not perform itself but delegates to other parties in accordance with the requirements set out in the Outsourcing Policy and in the Outsourcing Procedure of the Bank.
- 1.2. **Compliance laws, rules and standards** – laws and regulations governing the Bank’s activities, standards set by self-regulatory bodies, codes of professional conduct and ethics, and other best practice standards related to the Bank’s activities.
- 1.3. **Bank** – JSC “LPB Bank”.
- 1.4. **Organisational Structure** – the Organisational Structure of LPB Bank AS, a document approved by a relevant resolution of the Supervisory Council of the Bank and published in the Lotus module of the Bank’s information system, NORMS.
- 1.5. **Financial Transaction** – any financial service referred to in Article 1(4) of the Law on Credit Institutions of the Republic of Latvia:
 - 1.5.1. raising deposits and other repayable funds;
 - 1.5.2. lending;
 - 1.5.3. financial leasing;
 - 1.5.4. payment services;
 - 1.5.5. issuing and servicing non-cash means of payment unrelated to the provision of payment services;
 - 1.5.6. trading in currencies or financial instruments on the entity’s own behalf or on behalf of a Client;
 - 1.5.7. trust operations;
 - 1.5.8. provision of Investment and Ancillary Services;
 - 1.5.9. the issue of guarantees and other instruments of undertaking that assume the obligation of liability to a creditor for debt owed by a third party;
 - 1.5.10. storing valuables;
 - 1.5.11. advising clients on financial matters;
 - 1.5.12. provision of information pertaining to the settlement of a Client’s debt obligations;
 - 1.5.13. other transactions similar in substance to the financial services listed above;
 - 1.5.14. issuing electronic money.
- 1.6. **Investment Ancillary Services** – Investment Ancillary Services referred to in the Financial Instrument Market Law of the Republic of Latvia:
 - 1.6.1. holding financial instruments;

- 1.6.2. foreign exchange services, if related to the provision of Investment Services.
- 1.7. **Investment Services** – Investment Services referred to in the Financial Instrument Market Law of the Republic of Latvia:
- 1.7.1. accepting and transmitting orders for one or more financial instruments;
 - 1.7.2. execution of orders on behalf of the Client;
 - 1.7.3. portfolio management;
 - 1.7.4. executing transactions on behalf of the Bank;
 - 1.7.5. investment advice.
- 1.8. **Internal Regulatory Documents** – documents issued by the Bank and regulating the activities of the Bank as well as specific structural divisions or employees; these include policies, procedures, regulations, instructions.
- 1.9. **Conflict of Interest** – a situation in which:
- 1.9.1. An employee of the Bank has some personal, direct or indirect, pecuniary or non-pecuniary interest (e.g., some impact upon the interests of the employee, the employee's relatives, spouse, or business associates) in executing Financial Transactions or any other transaction on behalf of the Bank, in making decisions within the scope of their duties or in reviewing applications, complaints and other similar documents submitted to the Bank;
 - 1.9.2. Persons Associated with the Bank, or Persons Associated with a Credit Institution, have a personal, direct or indirect, pecuniary or non-pecuniary interest (e.g. some impact upon the interests of themselves, their relatives, spouses or business partners) in a transaction carried out by the Client through the Bank.
- 1.10. **Client** – an individual or legal entity, or an association of such persons, to whom the Bank provides a Financial Transaction.
- 1.11. **Persons Associated with a Credit Institution** – persons who are:
- 1.11.1. the Chairperson of the Bank's Board or Council, a member of the Bank's Council, or any other person who, on behalf of the Bank, establishes some civil liability for the Bank by adopting substantive decisions;
 - 1.11.2. an employee of the Bank, or any other individual who is involved in the provision of Investment Services by the Bank, and whose activities are controlled by the Bank;
 - 1.11.3. an individual who is directly involved in the provision of an Outsourced Service to the Bank in the provision of Investment Services.
- 1.12. **Persons Associated with the Bank** – persons deemed associated with the Bank in accordance with the Bank's Procedure for Identification of Persons Associated with the Bank.
- 1.13. **Personal Transaction** – a trading transaction in financial instruments made by or on behalf of a Person Associated with a Credit Institution, where at least one of the following criteria is met:
- 1.13.1. the Person Associated with a Credit Institution is acting outside the areas of activity in which they perform professional duties;

1.13.2. the transaction is carried out on behalf of any of the following:

1.13.2.1. the same Person Associated with the Credit Institution;

1.13.2.2. any person with whom such person has a familial relationship (spouse or partner of the Person Associated with the Credit Institution who is treated as a spouse for the purposes of the Compliance Laws, Regulations and Standards; dependent child or stepchild; other relative with whom it has lived in the same household for at least one year at the time of the Personal Transaction) or with whom it has a close relationship (for example, a legal entity in which the Person Associated with the Credit Institution holds 100% ownership and participates in its management unilaterally);

1.13.2.3. a person in respect of whom a Person Associated with the Credit Institution has a direct or indirect pecuniary interest in the outcome of the transaction, other than a fee or commission for the execution of the transaction.

1.14. **Personal Transaction Register** – the Personal Transaction Register established by the Bank in accordance with the Financial Instrument Market Law, where information on Personal Transactions is stored and continuously updated.

1.15. **Policy** – the Bank’s Policy for Managing Conflicts of Interest situations.

2. Purpose

2.1. The purpose of the policy is to set out the fundamental principles and elements in order to ensure:

2.1.1. the necessary steps to identify circumstances that cause or may cause a Conflict of Interest that poses a material threat or harm to the interests of one or more Clients, and to prevent or mitigate, to every extent possible, Conflicts of Interest and any negative consequences thereof arising from the provision of a Financial Transaction;

2.1.2. prevention of Conflicts of Interest between the Bank and its employees, members of the Board and Council, its shareholders, as well as among any of the aforementioned.

3. General provisions

3.1. As part of the management of Conflict-of-Interest situations, the Bank’s Council shall:

3.1.1. supervise the periodic improvement of the Conflict-of-Interest Prevention System in line with changes in the Bank’s activities and external circumstances affecting the Bank’s activities;

3.1.2. approve the Policy, including any necessary amendments;

3.1.3. define the Bank’s corporate values, including high standards of professional conduct and ethics (in accordance with the requirements set out in the Bank’s Code of Professional Conduct and Ethics), to ensure that members of the Council, members of the Board, heads of the Bank’s structural divisions and other employees perform their duties with the utmost integrity, are impartial

in performing their duties and making decisions, comply with compliance laws, regulations and standards, respect the confidentiality and trade secrets of business and Client information and their actions and behavior are consistent with high ethical standards.

- 3.2. As part of the management of Conflict-of-Interest situations, the Bank's Board of Directors shall:
 - 3.2.1. ensure the management of Conflict-of-Interest situations within the Bank by implementing the Policy established by the Council of the Bank;
 - 3.2.2. approve the Bank's Procedure for the Management of Conflict-of-Interest Situations, the Procedure providing investment services to the Bank's employees and Persons Associated with the Credit Institution;
 - 3.2.3. approve the necessary Internal Regulatory Documents, including amendments;
 - 3.2.4. ensure that the Bank's employees are suitably qualified and sufficiently experienced in accordance with the requirements set out in the Bank's Human Resources Policy;
 - 3.2.5. ensure the implementation of the standards of professional conduct and ethics set by the Bank's Council and ensure the prevention of conflicts of interest of employees in accordance with the Bank's Code of Professional Conduct and Ethics, etc. The Bank shall comply with the requirements set out in the internal regulatory documents;
 - 3.2.6. ensure the implementation of the Bank's Conflict of Interest Management Policy as determined by the Bank's Council and approve the relevant Internal Regulatory Documents.
- 3.3. The Bank shall ensure that conflict of interest situations is avoided when determining the allocation of supervisory responsibilities among the members of the Board and the Council, when deciding on the Organisational structure, and in other matters of subordination.
- 3.4. The Policy shall be reviewed at least annually to ensure its currency and relevance to changes in the Bank's business and external circumstances affecting the Bank's business, or following amendments to compliance laws, regulations and standards governing the matters set out in the Policy. Necessary changes to the Policy shall be approved by the Council of the Bank.
- 3.5. In fulfilling the requirements of the Policy, the Bank's structural divisions and employees must comply not only with the Internal Regulatory Documents, but also with the Compliance Laws, Regulations and Standards binding upon the Bank (the Law on Credit Institutions, the Financial Instrument Market Law, the Financial and Capital Market Commission's Normative Regulation No. 227 of 01.12.2020 "Normative Regulations on the Establishment of an Internal Control System" etc.).
- 3.6. In complying with the requirements of the Policy, the Bank's structural divisions and employees shall ensure that they perform their duties to such an extent and in such quality that the performance of their duties by the Bank does not result in a breach of the requirements of the Internal Regulatory Documents or the Compliance Laws, Regulations and Standards binding upon the Bank.

- 3.7. The Bank shall ensure the establishment of an internal organisational structure to identify and prevent Conflicts of Interest that may arise during the execution of Financial Transactions between the Bank – including its employees, , persons who directly or indirectly control the Bank, Persons Associated with the Bank, Persons Associated with the Credit Institution – and a Client, as well as among its Clients, and to prevent potential Conflicts of Interest between the Bank and its employees, members of the Board and Council, as well as among any of the aforementioned.
- 3.8. In the course of providing Investment Services and Investment Ancillary Services, the Bank may provide and receive financial and non-financial benefits from third parties; any such benefit provided or received by the Bank from third parties other than the Client shall be deemed to be an inducement.
- 3.9. The actions to be taken by the Bank to prevent the occurrence of a Conflict-of-Interest situation in relation to the inducements referred to in Clause 3.8 shall be governed by the Bank's Procedure for Managing Conflict of Interest. The Bank shall ensure appropriate disclosure of information to Clients by posting the Information on Inducements related to Investment Services and Investment Ancillary Services in the Investments section of the Bank's website.
- 3.10. Members of the Council and the Board shall act with independence of mind and solely in the interest of the Bank in making decisions, taking into account the Policy, including the threshold values defined in the Bank's Procedure for Managing Conflict of Interest regarding the extent to which a Conflict-of-Interest situation should be classified as a material conflict of interest.

4. Arising, detection and prevention of Conflicts-of-Interest

4.1. Conflicts of Interest may arise between:

- 4.1.1. Bank and Client;
- 4.1.2. Bank employees and Clients;
- 4.1.3. person directly or indirectly controlling the Bank, and Client;
- 4.1.4. Clients of the Bank;
- 4.1.5. between a Person Associated with the Bank (or a Person Associated with the Credit Institution) and the Client;
- 4.1.6. the Bank and its employees, the Board, the Council, shareholders;
- 4.1.7. Bank employees, members of the Board and Council;
- 4.1.8. an employee of the Bank, as an employee and a Client at the same time.

4.2. Conflicts of interest may arise in situations where:

- 4.2.1. the Bank, employees of the Bank, Persons Associated with the Bank, Persons Associated with a Credit Institution, or a person who directly or indirectly controls the Bank:
 - 4.2.1.1. make a profit or prevent financial loss to themselves at a Client's expense;
 - 4.2.1.2. have an interest in the outcome of a service provided to a Client or a transaction carried out on behalf of the Client that is not in the best interests of the Client;

- 4.2.1.3. have an interest in acting for the benefit of another Client or group of Clients;
- 4.2.1.4. have an interest in acting for the benefit of another staff member, member of the Board or member of the Council;
- 4.2.1.5. have an interest in acting jointly (as relatives, business partners, etc.) with any other employee, member of the Board or Council contrary to the interests of the Bank;
- 4.2.1.6. perform the same professional activity as a Client;
- 4.2.1.7. receive or will receive remuneration for a service provided to a Client from another person in the form of money, goods or services, other than the standard fee for such service;
- 4.2.1.8. accept gifts or inducements from business partners, Clients or other parties concerned that may influence the fairness of their decisions;
- 4.2.1.9. provide investment services (accepting and transmitting orders pertaining to one or more financial instruments, or executing orders on behalf of a Client), executing or transmitting for execution an order for transactions in financial instruments while executing transactions at the Bank's expense;
- 4.2.1.10. hold several positions (a position with the Bank and a position in another company);
- 4.2.1.11. conduct business dealings with family members or friends of a Bank employee, or with companies owned by such;
- 4.2.1.12. cooperate or maintain relations with the Bank's competitors;
- 4.2.1.13. employees, members of the Board or Council, use information obtained in the performance of their duties for any material or immaterial benefit to themselves or to their Related Persons.
- 4.2.2. Employees of the Bank, Persons Associated with the Bank, Persons Associated with a Credit Institution, or a person who directly or indirectly controls the Bank, might profit or prevent some financial loss to themselves at the Bank's expense.

4.3. Identifying Conflicts of Interest:

- 4.3.1. the Bank's structural divisions shall use all information at their disposal to identify, to the best of their ability, all possible circumstances and situations that may precipitate or enable Conflicts of Interest in relation to certain types of services provided by the Bank's structural divisions;
- 4.3.2. in analysing a potential Conflict of Interest situation at the Bank, it is assumed that a Conflict of Interest exists in any case where a decision made by employees regarding a particular service – being provided by the Bank to a particular Client – has been materially influenced by the interests of another person (e.g., the Bank, its employee, another Client, etc.), rather than by reasonable considerations of the relevant transaction solely in the interests of the relevant Client;
- 4.3.3. employees shall identify situations (Clause 4.2) that cause or may cause a Conflict of Interest that poses a material threat or detriment to the interests

of the Bank or of one or more of its Clients, and shall ensure that measures are taken to prevent such Conflict of Interest (Clause 4.5);

- 4.3.4. to facilitate broader identification of Conflict-of-Interest situations, the Bank shall maintain an anonymous reporting system in accordance with the Bank's Management Information System Procedure, which allows Employees to report past or present situations that give rise, or may give rise, to a Conflict of Interest.

4.4. Disclosure of Conflicts of Interest:

- 4.4.1. The Bank shall publish information on the Policy on its website, www.lpb.lv;
- 4.4.2. if the organisational or administrative measures established by the Bank in accordance with the requirements of the Policy or other internal regulatory documents for the management of Conflicts of Interest related to the provision of Investment Services are not sufficient to ensure with reasonable certainty that the risk of damage to the interests of Clients will be eliminated, Employees shall clearly disclose to a Client the nature or sources of Conflicts of Interest as well as the measures to be taken in order to mitigate these risks before commencing the provision of the relevant Investment Service to the Client, taking into account the requirements set out in the Section 126.¹ of the Financial Instrument Market Law of the Republic of Latvia, which sets out types of exchange of information related to Investment Services).
- 4.4.3. in any case where disclosure of a Conflict-of-Interest situation is requested by a Client, an employee shall immediately report it to their direct supervisor, who shall inform the Head of the Compliance Department of the Bank, solicit and comply with further instructions to disclose and remedy the Conflict-of-Interest situation;
- 4.4.4. notwithstanding 4.4.3, the reporting of Conflict-of-Interest situations may also take place as set out in 4.3.4.

4.5. The Bank shall take the following measures to prevent Conflict of Interest situations:

- 4.5.1. restrictions on exposure of Bank employees;
- 4.5.2. restrictions on granting favorable terms;
- 4.5.3. restrictions on transactions, including Personal Transactions;
- 4.5.4. restrictions on the receipt of additional benefits from third parties, other than payment for the provision of the Bank's services;
- 4.5.5. refraining from entering into a transaction or making a decision and disclosing a Conflict of Interest;
- 4.5.6. restrictions on combination of job titles and on business activities for the Bank's employees, members of the Board and Council;
- 4.5.7. restrictions on Bank employees' access to Bank information;
- 4.5.8. checks carried out by the Bank's Compliance Department to identify whether Employees have been performing their duties in accordance with the provisions of the Bank's Procedure for Managing Conflict of Interest and other Internal Regulatory Documents.

5. Basic principles for managing Conflict of Interest situations

- 5.1. The Board of the Bank shall ensure such management of Conflict-of-Interest situations as to ensure:
- 5.1.1. early identification and management of potential Conflict of Interest situations and action to prevent Conflict of Interest situations;
 - 5.1.2. exclusion of situations where Bank employees, in the performance of their duties, have or may have a Conflict of Interest;
 - 5.1.3. mutual independence of structural divisions carrying out activities between which the Conflict of Interest arises or may arise (e.g., information barriers, different organisational reporting lines);
 - 5.1.4. that the information provided by the Bank to Clients or potential Clients is clear, accurate, truthful and not misleading;
 - 5.1.5. that the terms of the Bank's transactions with Persons Associated with the Bank and Persons Associated with a Credit Institution are not different from the terms of similar transactions of the Bank with persons not associated to the Bank and are not contrary to the interests of the Bank or its Clients;
 - 5.1.6. imposition of restrictions on personal transactions;
 - 5.1.7. regular updating of Internal Regulatory Documents;
 - 5.1.8. monitoring the management of Conflict-of-Interest situations;
 - 5.1.9. that every employee of the Bank is obliged to report to their direct supervisor any instance of a Conflict of Interest and to refrain from the transaction in question;
 - 5.1.10. development of internal regulatory documents necessary for the implementation of the Policy, defining the responsibilities of the Bank's structural divisions and employees;
 - 5.1.11. all necessary and possible measures to identify and prevent Conflicts of Interest that may arise during Financial Transactions between the Bank – including its employees, persons who directly or indirectly control the Bank, Persons Affiliated with the Bank, Persons Affiliated with the Credit Institution – and a Client, as well as among Clients;
 - 5.1.12. the establishment of a Personal Transaction Register in accordance with the Bank's Procedure providing investment services to the Bank's employees and Persons Associated with the Credit Institution.
- 5.2. In the performance of their duties, members of the Bank's Council and the Board shall prevent the occurrence of Conflicts of Interest and shall refrain from making decisions regarding the Bank's Financial Transactions or any other transactions in which such member of the Bank's Council or Board has, or may potentially have, a Conflict of Interest.
- 5.3. A member of the Bank's Council and Board shall report to the Bank's Council any Financial Transactions or other transactions wherein such member of the Bank's Council or Board has or may have a Conflict of Interest, whether directly or indirectly.

5.4. Members of the Bank's Council and Board are required to disclose potential Conflict of Interest situations that may arise in connection with their own activities, or the activities of persons closely related to them, at other financial institutions.

6. Related documents

- 6.1. 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.
- 6.2. Law on Credit Institutions.
- 6.3. Financial Instrument Market Law.
- 6.4. Normative Regulations of the Financial and Capital Market Commission No. 227 of 01.12.2020 "Normative Regulations on the Establishment of an Internal Control System".