

## POLICY OF UNICREDIT BULBANK AD FOR CONFLICTS OF INTEREST

UniCredit Bulbank AD as a multi-service bank and part of UniCredit Group may encounter situations where the interests of some clients may enter into conflict with the interests of other clients or those of UniCredit Bulbank and its employees.

In order to manage such situations and in compliance with the requirements under Markets in Financial Instruments Directive (MiFID) and the Markets in Financial Instruments Act, UniCredit Bulbank AD (hereinafter referred to as the Bank) has adopted rules and procedures to identify, prevent and manage conflicts of interest which may arise in the process of its business activity (the „Policy“). The aim of this Policy is to ensure clarity, transparency and integrity in the relations in order the clients to be notified for potential risks and conflicts and their interests to be protected in the best possible way.

### 1. What are conflicts of interest?

Conflicts of interest are situations that arise in relation to the activity of the Bank on the financial markets in cases when relevant circumstances may risk the interest of the client. The main categories of conflicts are:

- between the interests of the client and the interests of the Bank;
- between the interests of a client and the employees of the Bank, its Management Board members, related parties and other members of UniCredit Group;
- between the interests of one client and the interests of another client;

### 2. Identification of conflicts of interest

The Policy of the Bank is to maintain separate list of the different investment services carried out by the Bank, where conflicts of interest that entail risk for infringement upon client's interests may arise.

In particular, conflicts of interest may arise:

- from execution of orders, which entail opportunity for the investment intermediary or the related parties to make profit or avoid financial losses at the expense of the client;
- The investment intermediary or the related parties could be interested in the execution of the investment service assigned;
- The investment intermediary or the related parties could prefer the interests of other client or a group to the interest of the client-assignor;
- from competition between the business of the investment intermediary and the business of the client;
- from circumstances leading to opportunity for the investment intermediary or the related party to receive from a party other than the client-assignor benefits related to the investment services provided or payments other than the standard remuneration for the service provided;
- information, received in the Bank, which has not been publicly announced;

The purpose of the Policy of UniCredit Bulbank AD for conflicts of interest is, by implementation of the standards established for UniCredit Group and the requirements under Markets in Financial Instruments Act, to identify conflicts of interest within the Bank and the Group and to prevent such cases as far as possible. If the conflicts of interest could not be objectively prevented through the implemented organizational and administrative measures, the Policy is to resolve such cases in the interest of the client.

In order to manage the conflicts of interest identified, the following main measures have been implemented:

- The Bank does not accept for execution investment services, for which the orders obviously create favourable environment for emerging conflicts of interest in connection with the payments received from or provided to third parties. Such accepted orders, which seem to be regular, motivated and do not obviously create risk for emerging conflicts of interest are under surveillance by the person responsible for conflicts of interest;

- The remuneration of the employees and the related parties cannot be closely related to the profit from the execution of the investment orders, which create risk for emerging conflicts of interest;
- In order to prevent the insider dealing in cases of conflicts with the interests of the clients, the Bank activity regarding the trading in financial instruments on its own account, sale of financial instruments, issued by the Bank, the relationships of the Bank with the issuers of financial instruments, such as credit relationships, participation in public offering etc. is controlled and separately reported.
- The information received in the Bank, which is not publicly announced, is used by the authorized persons in the course of their job duties performance, so as not to create circumstances to threaten and contradict with the clients' interests. The information represents banking, commercial and professional secrecy and cannot be disclosed to other party unless it is objectively required for the performance of the job duties as an employee of the Bank as stated in the job description and as per the authorized bodies and persons. The Bank has adopted effective procedures for strict control regarding the use and exchange of information when the latter may risk the interests of the clients;
- The Bank controls its employees engaged with the investment intermediary activities, the controlling employees, the personal relationships between employees or members of the top management of the Bank or related persons as well as the participation of those persons in controlling, advisory and management bodies outside the Bank with regard to prevent malpractice, improper influence, use of professional information and infringement upon clients interests on the account of employees and/or other clients.

### **3. Measures for identification and management of conflicts of interest**

#### **1) Compliance function**

The control on the compliance of the internal rules with the legal requirements under Markets in Financial Instruments Act, Measures against Market Abuse with Financial Instruments Act and Ordinance on the requirements to the activities of the investment intermediaries is carried out by the Compliance function pursuant to regulatory requirements, MiFID requirements and Group standards. Apart from prevention of market abuse, one of the main purposes of Compliance function is to identify and manage conflicts of interest.

#### **2) Chinese walls**

Chinese walls are organizational and technical barriers set up between various areas within the Bank, where the confidential information flow is limited to the extent necessary for the performance of the professional duties. These areas include proprietary trading, trading on the account of clients, origination of securities, control functions and corporate lending.

#### **3) Priority**

The interests of the client always have priority over the interests of the Bank and its employees.

#### **4) Disclosure of conflicts of interest**

The disclosure of conflicts of interest will be carried out only in case the Bank does not possess other measures to resolve it. The affected client will be provided with information about the conflict of interest, so that the same may take informed decision regarding the investment service in relation to which conflict of interest arises.

#### **5) Manual for personal deals and market abuse prevention**

The Bank has issued a manual for employees conduct and employees' personal deals which aimed at preventing market abuse (insider dealing and market manipulation) and conflicts of interest.

The manual includes reporting of potential cases of personal interest of members of the management bodies and other employees of the Bank as well as their participation in management, controlling or advisory bodies or possession of shares in companies outside the Bank.

#### **6) Remuneration**

The direct connection between the remuneration of the employees engaged with investment services or products and the income, generated from other investment activity or product within the Bank is not allowed when conflicts of interest may arise between the both activities.

#### **7) Acceptance of gifts and other benefits**

The employees of the Bank are not allowed to request or accept, for themselves or the related parties, payments or other benefits, which may raise reasonable doubt in their objectivity.

#### **8) Financial analysis**

In the process of elaboration of financial analysis and research, special instructions related to the rules of conduct ensuring objective and unbiased analysis concerning the team of analysts have been implemented.

#### **9) Policy for execution of clients orders**

Policy for execution of clients' orders, which is important measure for investors' protection, has been adopted in the Bank in accordance with the legal requirements. The purpose of this policy is to ensure the best possible result for the execution of clients' orders and distribution of orders for public offering of securities.

#### **10) Prospectuses**

In cases of public offering of new issues a special requirement for disclosure of potential conflicts of interest in the prospectus shall be applied.

#### **11) Benefits**

In cases of assigning or providing investment or ancillary services, the Bank may grant to its partners (issuer, investment intermediary) and receive on their behalf the following payments (benefits):

- Commission for placement and/or underwriting of issues (in cases when the Bank acts as Lead manager or Co-manager on origination of securities);
- Commissions and/or Fees for external services in relation to investment activities (legal services, translation, technical services, market information, analysis, etc.);
- Commission for investment intermediary (in cases when the Bank uses an intermediary in the execution of clients orders);
- Commission for distribution of shares of collective investment schemes (mutual funds)

The commissions are defined in the tariff with the amount or the way of calculation according to the different services and activities, unless as per an agreement the client has accepted to pay specific expenses.

Ongoing supervision on the adherence with the legal requirements and the internal rules, regulating the investment process, shall be performed by "Control of Investment Intermediary" Unit and reviewed on a regular basis by "Internal Audit" Department of the Bank.

## **4. Final provisions**

The Policy for conflicts of interest implements the provisions under Markets in Financial Instruments Act in respect to the requirements for disclosure of information to the client for managing conflicts of interest.