



# **PBZ RULES ON CONFLICTS OF INTEREST MANAGEMENT**

Owner:  
Compliance Department

Recipients:  
All organizational units of PBZ

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## INTRODUCTION<sup>1</sup>

PRIVREDNA BANKA ZAGREB - DIONIČKO DRUŠTVO (hereinafter: the Bank or PBZ) acts as a company authorised to provide and conduct the investment services and activities and the ancillary service. According to regulatory obligations, the Bank has adopted and implements the Rules on Conflict of Interest Management (hereinafter: the Rules), aimed at internalisation of the obligations defined by compulsory regulations and group regulations of the parent bank Intesa Sanpaolo (hereinafter: the Parent Bank or the Parent Company).

The Intesa Sanpaolo Group (including Privredna Banka Zagreb Group, hereinafter “PBZ Group”) carries out a broad range of activities which may give rise to significant conflicts of interest among the companies belonging to such Group, the Relevant Persons of the *MiFID-scope companies* (hereinafter also the *Companies*) and their *Customers* or between its *Customers*, when providing Investment services and activities, *Ancillary services* or a combination of the two or when distributing *Insurance-based investment products*.

In the context of the *MiFID Regulation*, intermediaries are required to apply and maintain an effective conflict of interest management policy, formulated in writing and appropriate to their size and organisation, as well as the nature, size and complexity of their business and the circumstances of which they are or should be aware, also in relation to their different branches of activity as well as the activities carried out by *Relevant Persons* and the activities carried out by the group to which they belong within the scope of an overall conflicts of interest management policy.

Similar principles were defined by the *IDD Legislation* with reference to intermediaries that carry out distribution activities of *Insurance-based investment products*.

These Rules represent the conflict of interest management policy of Intesa Sanpaolo Group and the Bank as the *MiFID-scope company*, pursuant to the *MiFID Regulation*, applicable to the provision of *Investment Services and activities* or *Ancillary Services* and pursuant to the *IDD Legislation*, applicable to the distribution of *Insurance-based investment Products*, and their objective is:

- to identify the circumstances which generate or are likely to generate a conflict of interest that could harm the interests of one or more *Customers*, included his/her ESG (Environmental, Social, Governance) Sustainability preferences;
- to describe the procedures to be followed and measures adopted to prevent or manage such conflicts of interest.

The measures adopted are aimed at ensuring that the *Relevant Persons* engaged in various professional activities involving a conflict of interest carry out such activities with a degree of independence that is appropriate to the size and activities of Intesa Sanpaolo and the *Group* to which it belongs and to the risk of damage to the interests of the *Customers*.

The content of these Rules is reviewed annually as well as upon the occurrence of relevant circumstances which require amendments and/or integrations in order to ensure that the list of all the various circumstances which generate or are likely to generate conflicts of interest is always kept up to date, also to take account of any changes in the *Intesa Sanpaolo Group's* organisational structure and in the *Services* provided by it, as well as the other activities relevant to this document, and to ensure that any solutions identified to mitigate any conflicts of interest detected are closely monitored and adequate measures are adopted to address any deficiencies. Such activity is carried out in coordination with the Parent Bank's Compliance function.

Any proposals to amend these Rules are brought to the attention of the Corporate Bodies of the Parent Company and of the other *MiFID-scope companies*, as appropriate.

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<sup>1</sup> The terms in Italics are defined in the Glossary included in the Attachment.



Lastly, the Board of Directors of the Parent Company and of the other *MiFID-scope companies*, within their respective areas of responsibility, receive at least once a year a written report prepared by the Compliance function on the situations in which a conflict of interest has arisen or may arise in the context of the provision of *Investment Services and activities* or *Ancillary Services*, as well as distribution of *Insurance-based investment products* carried out by the Parent Company or the *MiFID-scope companies* or on their behalf.



# 1 CONFLICTS OF INTEREST IN THE PROVISION OF INVESTMENT AND ANCILLARY SERVICES AND THE DISTRIBUTION OF INSURANCE-BASED INVESTMENT PRODUCTS

This chapter contains a description of the circumstances which generate or are likely to generate conflict-of-interest situations which may potentially harm the interests of one or more *Customers*, included his/her *Sustainability preferences*, and which may arise between *MiFID-scope companies* and/or *Relevant Persons* and the *Customer* or between *Customers* when providing any *Investment service and activity* or *Ancillary service*, or a combination of these *Services* or when distributing *Insurance-based investment products*.

Certain circumstances which, in abstract terms, may amount to a conflict of interests vis-à-vis the *Customers*, but which also take the form of wrongful conduct as they are prohibited by specific legal provisions and/or regulations, are not dealt with by these Rules. Such conducts are regulated by specific procedures which *MiFID-scope companies* has adopted to prevent crimes and offences for abuse of *Inside information*, unlawful disclosure of *Inside information* and market manipulation relating to *Sensitive Issuers*, as well as the abuse of *Confidential Information* relating to *Sensitive Issuers* and other *Issuers* of unlisted *Financial Instruments*.

## 1.1 CONFLICTS OF INTEREST IN THE PROVISION OF INVESTMENT SERVICES AND ACTIVITIES

### 1.1.1 RECEPTION AND TRANSMISSION OF ORDERS IN RELATION TO ONE OR MORE FINANCIAL INSTRUMENTS

- a) In the *Reception and transmission of orders in relation to one or more Financial Instruments* service, using a *MiFID-scope Companies* (or a *Relevant Person* or a *Person related to a Relevant Person*) as a *Broker/Dealer* implies a conflict of interest as the choices of the *Broker/Dealer* might be based on the commissions and/or income earned by the *Group* (or by the *Relevant Person*) rather than in the best interests of the *Customer*.
- b) In the *Reception and transmission of orders in relation to one or more Financial Instruments* service, transmitting systematic instructions to the *Broker/Dealer* in relation to the *Execution venue*, when the latter is managed by a *MiFID-scope Company* or by a *Company in which the Group* (or a *Relevant Person* or a *Person related to a Relevant Person*) has a *Relevant Stake*, or when the *Group* appoints one or more members of the corporate bodies of the company managing the *Execution venue* (or its parent company or majority shareholder), or takes part in shareholders' agreements which govern the company that manages the *Execution venue* or its parent company or the majority shareholder of the same, or in respect of which a *MiFID-scope Company* acts as *Market Maker*, *Liquidity Provider* or *Specialist* represents a conflict of interest as the *Execution venue might be chosen on the basis of the income earned by the Group* (or by the *Relevant Person*) rather than in the best interests of the *Customer*.
- c) In the *Reception and transmission of orders in relation to one or more Financial Instruments* service, using a *Broker/Dealer* with which, in relation to said *Service*, there are agreements in place to receive fees or commissions or else non-monetary services (inducements) represents a conflict of interest as the choices of the *Broker/Dealer* might be based on the existing agreements mentioned above rather than in the best interests of the *Customer*.



### 1.1.2 EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS

- a) The systematic execution of orders on behalf of *Customers* on an *Execution venue* managed by a *MiFID-scope Company* or by a *Company in which the Group* (or a *Relevant Person* or a *Person related to a Relevant Person*) has a *Relevant Stake*, or when the *Group* appoints one or more members of the corporate bodies of the company managing the *Execution venue* (or its parent company or majority shareholder), or takes part in shareholders' agreements which govern the company that manages the *Execution venue* or its parent company or the majority shareholder of the same, or in respect of which a *MiFID-scope Company* acts as *Market Maker*, *Liquidity Provider* or *Specialist*, entails a conflict of interest as the *Execution venue* might be chosen on the basis of the commissions and/or income earned by the *Group* (or by the *Relevant Person*) rather than in the best interests of the *Customer*.
- b) The execution of orders, on an *Execution venue*, on behalf of *Customers* with whom, in relation to said *Service*, there are agreements in place to receive fees or commissions or else non-monetary services (inducements) entails a conflict of interest as the *Execution venue* might be chosen on the basis of the existing agreements mentioned above rather than in the best interests of the *Customer*.
- c) The execution of orders on behalf of *Customers* that, due to certain characteristics indicated in the "Execution and transmission of orders Strategy," can be executed by trading directly with the market counterparties indicated in the same "Execution and transmission of orders Strategy," also through the cross-order systems offered by certain Execution Venues, if a *MiFID Perimeter Company* or a *Company in which the Group* (or a *Relevant Person* or a *Person related to a Relevant Person*) has *Shareholdings* in such counterparties, or if the *Group* appoints one or more members of the corporate bodies of them (or of their parent companies or majority shareholders) or participates in shareholders' agreements relating to the same entities, implies a conflict of interest since the choice could be made on the basis of the profits received by the *Group* (or by the *Relevant Person*) and not on the basis of the actual convenience for the *Customer*.
- d) In case a *MiFID-scope company* acts as a *Manufacturer*, this entails a conflict of interest where the *MiFID-scope company* already holds an exposure to the underlying assets or wants to hold an exposure to the underlying assets after the sale of the *Financial Instrument*, as the *MiFID-scope company* could be induced to sell this *Financial Instrument* not in the best interests of the *Customer* but in order to:
  - mitigate and/or dispose of its own risks or exposure to the underlying assets of the *Financial Instrument* or
  - assume an exposure opposite to the one of the *Customer* in relation to the underlying asset of the *Financial Instrument*.

In the event that a *MiFID-scope company* distributes, sells or offers *Financial products* which the company itself issued, the conflicts of interest relating to the *Placement services* shall apply.

### 1.1.3 DEALING ON OWN ACCOUNT

- a) *Dealing on own account* in *Financial Instruments* issued by companies belonging to the *Intesa Sanpaolo Group* entails a conflict of interest as the *MiFID-scope companies* might be induced to perform the transaction following their financial interest rather than in the best interests of the *Customer*.
- b) The *Dealing on own account* service involving *Financial Instruments* whose value and/or return is linked to any *Benchmark* of which an *Intesa Sanpaolo Group* company is the *Administrator* or a *Contributor* involves a conflict of interest since the *MiFID-scope companies* could be enticed into conducting the transaction due to the *Group's* interest rather than in the best interests of the *Customer*.
- c) In the event that the *Dealing on own account* service concerns *Financial Instruments* deriving from a previous underwriting of financial instruments and/or placement of financial instruments on a firm commitment basis carried out by a *MiFID-scope company* for the *Issuer*, a conflict of interest may arise in respect of investment *Customers* as the *MiFID-scope companies* might deal such



*Financial Instruments* to mitigate the risk to which the Group is exposed rather than in the best interests of the *Customer*. The existence of a conflict of interest is assessed taking into consideration the time elapsed since the underwriting and/or placement on a firm commitment basis or how significant the position is for the Group.

- d) The *Dealing on own account* service involving *Financial Instruments* in which a *MiFID-scope company* has undertaken a *Directional Position* as part of its activity, entails a conflict of interest as the *MiFID-scope companies* might trade such *Financial Instruments* to mitigate the risk to which the Group is exposed rather than in the best interests of the *Customer*. The existence of a conflict of interest is assessed by reference to the size of the *Directional Position* assumed.
- e) The *Dealing on own account* service involving *Financial Instruments* in relation to which a *MiFID-scope company* provides the underwriting of *Financial Instruments* and/or placement services of *Financial Instruments* on a firm commitment basis service, shows, in the *Grey Market* phase, all the kinds of conflicts of interest relating to the provision of the underwriting of *Financial Instruments* and/or placement of *Financial Instruments* on a firm commitment basis for the *Issuer*. Such an activity entails a conflict of interest as the *MiFID-scope companies* might deal such *Financial Instruments* to mitigate the risk to which the Group is exposed rather than in the best interests of the *Customer*. The existence of a conflict of interest is assessed taking into consideration the size of the position assumed.

#### 1.1.4 PORTFOLIO MANAGEMENT

Service not provided by the Bank

#### 1.1.5 COLLECTIVE PORTFOLIO MANAGEMENT

Service not provided by the Bank.

#### 1.1.6 INVESTMENT ADVICE

- a) Providing *Investment advice* on *Financial products* placed, distributed or sold by a *MiFID-scope company* entails a conflict of interest as the *Company* might be induced into recommending a *Financial product* not in the best interests of the *Customer* but based on the fees earned, such as, for example:
  - for *Placing* shares, certificates and bonds: *Placement* fees calculated on the basis of the amount placed;
  - for *Placing* managed products such as units in UCITS funds, retrocession of the following fees:
    - underwriting/ *Placement*;
    - maintenance;
  - for OTC derivatives: up-front fee on the nominal value of the contract signed.
- b) Within *Investment advice* provided on *Financial products*, the existence of rewarding systems for the *Relevant Persons* involved in providing the *Service* in question may entail a conflict of interest as the *Relevant Persons* might be induced to recommend specific *Financial products* to the *Customers* based on the remuneration received rather than in the best interests of the *Customer*.

The *Investment advice* service is usually provided jointly with another *Investment* or *Ancillary service*; thus, in providing the service under review, besides the conflict-of-interest situations stated above, there are additional ones highlighted by reference to the *Investment* or *Ancillary service* possibly provided in addition to the *Investment advice*.

The conflicts of interest relating to the provision of *Investment advice* also apply to the *Placement* service of *Financial products* issued by *MiFID-scope companies*.





### 1.1.7 UNDERWRITING OF FINANCIAL INSTRUMENTS AND/OR PLACING OF FINANCIAL INSTRUMENTS ON A FIRM COMMITMENT BASIS TOWARDS THE ISSUER

- a) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest as the *Intesa Sanpaolo Group* has an interest in disposing of the *Financial Instruments* subscribed or guaranteed.
- b) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest where such *Financial Instruments* are issued by companies of the *Intesa Sanpaolo Group* (or by a *Relevant Person* or a *Person related to a Relevant Person*) as the *MiFID-scope company* might be enticed into making the placement based on its financial interest (or that one of the *Relevant Person*) rather than in the best interests of the *Customer*.
- c) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* of shares of SICAVs or SICAFs or of units of *Collective Investment Undertakings* set up or managed by SGRs or SICAVs or SICAFs of the *Intesa Sanpaolo Group* or other companies in which the *Intesa Sanpaolo Group* holds a *Relevant Stake* entails a conflict of interest, as the *MiFID-scope companies* might be interested in generating commissions to the benefit of such SGRs or SICAVs or SICAFs rather than in the best interests of the *Customer*.
- d) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* of bonds in respect of which the *MiFID-scope company* has signed a credit default swap entails a conflict of interest as the higher the amount placed with the *Customers* by the *MiFID-scope company*, the higher the trading income earned on the swap.
- e) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest in the case of bonds in respect of which the *MiFID-scope company* is committed to sustain the costs due to the (total or partial) cancellation of the credit default swaps where the total amount of the swaps is higher than the nominal amount actually placed as the higher the amount placed with the *Customers*, the lower the costs incurred by the *MiFID-scope company* from the cancellation of the swap.
- f) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest when the *Financial Instruments* are issued by companies to which a *MiFID-scope company* has provided *Corporate finance services and activities* in the twelve months preceding the placement, or has received a fee for such services in the same period of time, as the *MiFID-scope company* might be enticed into the placement in order to preserve the relationship with the *Issuer* rather than in the best interests of the *Customer*.
- g) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest, when the *Financial Instruments* are issued by companies financed by the *Intesa Sanpaolo Group* whereas the *Intesa Sanpaolo Group* grants significant financing to the Group of the *Issuer* or of the Offeror, also taking their rating into account, or when the subject of the placement is the securitisation of *Group's* receivables, especially if the income from the transaction is used to fully or partly repay the loans granted by the *Group*, as the *MiFID-scope companies* might be induced to carry out the placement as a result of the financial interest of the *Group* rather than in the best interests of the *Customer*.
- h) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* of *Financial Instruments* entails a conflict of interest when one of the *MiFID-scope companies* holds a *Directional Position* on the security being placed, as the *MiFID-scope companies* might be induced to carry out the placement as a result of the financial interest of the *Group* rather than in the best interests of the *Customer*. The existence of a conflict of interest is assessed by reference to the size of the *Directional Position* assumed.
- i) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest when the *Financial Instruments* are issued by companies in which the *Intesa Sanpaolo Group* has a *Relevant Stake* or by companies whose parent company or majority shareholder is a *Company in which the Intesa Sanpaolo Group has a Relevant Stake* entails a conflict of interest as one of the *MiFID-scope*



*companies* might be induced to carry out the placement as a result of the financial interest of the Group rather than in the best interests of the *Customer*.

- j) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* as part of an offer to sell, where the offeror is a Company of the Group entails a conflict-of-interest, as a *MiFID-scope companies* might be enticed into carrying out the placement as a result of the financial interests of the *Group* rather than in the best interests of the *Customer*.
- k) The *MiFID-scope companies* are in a conflict-of-interest situation when they provide the underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis service towards the *Issuer* in relation to *Financial Instruments* issued by a company that holds a *Relevant Stake* in a Group company whose shares are listed on the Stock Exchange.
- l) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest when the *Intesa Sanpaolo* Group has designated one or more members of the corporate bodies of the *Issuer* or of the *Issuer's* parent company or majority shareholder.
- m) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest when the *Intesa Sanpaolo* Group takes part in shareholders' agreements which govern the *Issuer* or the *Issuer's* parent company or majority shareholder.
- n) *MiFID-scope companies* are in a conflict-of-interest situation when the income from the underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* is used to purchase tangible or intangible assets or a right recognised as a balance sheet asset of one of the companies of the *Intesa Sanpaolo* Group.
- o) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interests, in case such service is related to *Financial Instruments* in respect of which one of the *MiFID-scope companies* acts as *Specialist*, *Corporate broker* or *Liquidity broker* as the *MiFID-scope companies* might be enticed into placing the *Financial Instruments* to preserve the relationship with the *Issuer* rather than in the best interests of the *Customer*.
- p) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* which have engaged one of the *MiFID-scope companies* to manage their assets entails a conflict of interest as the *Group* might be enticed into promoting the placement to strengthen the relationship with the *Issuer* rather than in the best interests of the *Customer*.
- q) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest in those cases where the Group has a joint venture in place in which the *Issuer* or its group and the *Group* hold each a percentage of the share capital, as a *MiFID-scope company* might be induced to carry out the placement as a result of the Group's interest regardless of whether the placement is actually in the best interests of the *Customer* rather than in the best interests of the *Customer*.
- r) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest in those cases where *Intesa Sanpaolo* or a company of the *Group* has an option relating to the capital of one or more companies of the *Issuer's* group, as a *MiFID-scope company* might be induced to carry out the placement as a result of the *Group's* interest rather than in the best interests of the *Customer*.
- s) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest, in the case of *Financial Instruments* for which a request for admission to trading has been made on *Execution venue* managed by a *Company in which* the Group (or a *Relevant Person* or a *Person related to a Relevant Person*) has a *Relevant Stake* or in respect of which a *MiFID-scope company* will act as *Market Maker* for the aforesaid *Financial Instruments*, or in those cases where the Group takes part in the shareholders' agreements which govern the company that manages the *Execution venue* or its parent company or majority shareholder, as the placement might take place based on the interest of the Group (or of the *Relevant Person*) rather than in the best interests of the *Customer*.



- t) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest in case a *MiFID-scope company* has, in relation to the same service, agreements in place to receive fees or commissions or other non-monetary benefits (a.k.a. inducements), since the *Placement* might take place on the basis of the existing agreements mentioned above rather than in the best interests of the *Customer*.
- u) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest in the case of *Financial Instruments* in relation to which a *MiFID-scope company* has assumed the position of calculation agent since a *MiFID-scope company* could privilege, in performing its activity as calculation agent, the interests of the Group or of the *Issuer* over the interests of the *Customer*.
- v) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest where a *MiFID-scope company* is simultaneously engaged in supporting the *Issuer* as regards the pricing of the *Financial Instruments* to be offered, since the *MiFID-scope company* could act according to the interests of the *Investors* and/or the Group rather than on the basis of *Issuer's* actual convenience.
- w) The underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service towards the *Issuer* entails a conflict of interest where a *MiFID-scope company* is engaged in supporting the *Issuer* as regards the allocation of the *Financial Instruments* to be offered, since the *MiFID-scope company* could act according to the interests of the *Investors* and/or the Group rather than on the basis of the *Issuer's* actual convenience.

### **1.1.8 PLACING OF FINANCIAL INSTRUMENTS WITHOUT COMMITMENT BASIS FOR THE ISSUER;**

The conflicts of interest regarding the *Placing of Financial Instruments* without a firm commitment basis for the *Issuer* are similar to those identified for the provision of the underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis service for the *Issuer*, except for the first type of conflict of interest indicated.

The conflicts of interest identified for the *Placing of Financial Instruments* without a firm commitment basis service towards the *Issuer* may arise also with regard to the distribution of *Financial products* issued by *MiFID-scope companies*.

### **1.1.9 OPERATION OF A MULTILATERAL TRADING FACILITIES**

At present, the Bank or a member of PBZ Group do not provide such service.

### **1.1.10 OPERATION OF AN ORGANISED TRADING FACILITIES**

At present, the Bank or a member of PBZ Group do not provide such service.

## **1.2 CONFLICTS OF INTEREST IN THE PROVISION OF ANCILLARY SERVICES**

### **1.2.1 SAFEKEEPING AND ADMINISTRATION OF FINANCIAL INSTRUMENTS FOR THE ACCOUNT OF CLIENTS, INCLUDING THE CUSTODIANSHIP AND RELATED SERVICES, SUCH AS CASH/COLLATERAL MANAGEMENT AND EXCLUDING MAINTAINING SECURITIES ACCOUNTS AT THE TOP TIER LEVEL**



By analogy, the gathering of subscriptions to share capital increases by payment relating to transactions, in respect of which one of the *MiFID-scope companies* fulfils a *Senior role* in the Underwriting and placement syndicate, entails towards *Investors* the same kind of conflicts of interest highlighted by reference to the underwriting of financial instruments and/or placing of *Financial Instruments* on a firm commitment basis for the *Issuer*.

### **1.2.2 GRANTING CREDITS OR LOANS TO INVESTORS TO ALLOW THEM TO CARRY OUT A TRANSACTION IN ONE OR MORE FINANCIAL INSTRUMENTS WHERE INVOLVING THE FIRM GRANTING THE CREDIT OR LOAN IS INVOLVED IN THE TRANSACTION**

Granting credits or loans to *Customers* for transactions in one or more *Financial Instruments* and the simultaneous provision of other *Investment services and activities* entails a conflict of interest as the *MiFID-scope companies* might carry out the transaction in their own interest rather than in the best interests of the Customer.

### **1.2.3 ADVICE TO UNDERTAKINGS ON CAPITAL STRUCTURE, INDUSTRIAL STRATEGY AND RELATED MATTERS, AND SERVICES RELATING TO MERGERS AND THE PURCHASE OF UNDERTAKINGS**

- a) The simultaneous provision of *Advice to undertakings* to a variety of *Customers* entails a conflict of interest as a *MiFID-scope company* might be induced to promote the relationship with one of the *Customers* in the following cases:
- the *Company* provides advisory services to several companies that are competing for the acquisition of the same asset;
  - the *Company* provides advisory services to two companies which are counterparties with respect to the same transaction (e.g., it acts as adviser for the purchaser and seller of the same asset);
  - the *Company* simultaneously provides advisory services to several companies to identify a possible acquisition in the same sector;
  - the *Company* simultaneously provides advisory services to several companies for the sale of assets of a similar nature.
- b) The provision of both *Advice to undertakings* and loans to undertakings entails a conflict of interest in those cases where a *MiFID-scope company*:
- acts as adviser for the purchaser and its interests are at odds with those deriving from the role of lender which it fulfils for the selling company;
  - acts as adviser for a company with respect to transactions relating to *Corporate finance services and activities* and its interests are at odds with those pursued as *Creditor* of the company;
  - provides advisory services to a company for taking part in a bid for the acquisition of a given asset and it is simultaneously willing to finance another company which takes part in the same bid, as the Group might be influenced by the relationship entertained with one of the *Customers*;
  - plays two roles for a company, namely that of adviser and that of lender with regard to the same structured finance transaction, as the interests possibly pursued by the Group in its role as lender could influence its activity as an adviser;
  - within as regards the same financial transaction, it finances the purchaser and provides advice to the seller. More specifically, the provision of a consulting service for the sale of a company or one of its assets, if matched with the provision for the future purchaser of “*staple financing*” (i.e. a loan aimed at providing the purchaser with all or part of the financial resources required for the acquisition) entails a conflict of interest as it might influence the adviser in assessing the offers of the potential purchasers, where only some of them are willing to take advantage of this staple financing.

Conflict of interest exists when the Group has granted significant loans or is one of the main lenders of the *Customer* or the group to which the *Customer* belongs, given the amount agreed/granted and/or the features of the loan.



- c) The provision of *Advice to undertakings* and the acquisition/holding of *Relevant Stakes* in the undertakings entails a conflict of interest as, in providing advice, one of the *MiFID-scope companies* might be induced to safeguard the Group's interest regardless of the actual interests of the *Customers* in the following cases:
- the Group acts as adviser for the purchasing company (or the selling company) and holds a *Relevant Stake* in the selling (purchasing) company or in the target company;
  - the Group acts as adviser of a company in a bid for the acquisition of an asset and holds a *Relevant Stake* in another company that takes part in the same bid;
  - the Group acts as adviser for a company for any corporate finance transaction and holds a *Relevant Stake* in a competing company.
- The same conflicts of interest situations occur in those cases where the *Relevant Stake* is held by the company which controls the concerned company or is a majority shareholder of the same.
- d) The situations referred to in the point above give rise to a conflict of interest also when the *Intesa Sanpaolo* Group, instead of holding a *Shareholding* or in addition to that, designates one or more members of the corporate bodies of the company in question or of the company which controls the company in question or of the majority shareholder of the latter.
- e) The provision of *Advice to undertakings*, aimed at the (hostile) takeover of a company and the simultaneous performance of the underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis or placing of *Financial Instruments* without commitment basis for the *Issuer* entails a conflict of interest for the target company to the extent that the placement increases the contestability of the company, as the *MiFID-scope companies* might be induced to provide the aforesaid services to promote the relationship with one of the *Customers*.
- f) The provision of *Advice to undertakings* aimed at the (hostile) takeover of a company and the simultaneous provision of services associated with the issue or *Placement* of *Financial Instruments* on behalf of the target company entails a conflict of interest to the extent that the placement increases the contestability of the target company as the Group might be induced to promote the relationship with one of its *Customers*.
- g) The provision of *Advice to undertakings* and the simultaneous provision of the service for the underwriting of *Financial Instruments* and/or placing of *Financial Instruments* on a firm commitment basis or for the *Issuer* entails a conflict of interest since the *MiFID-scope companies* could be enticed to provide the *Advice to undertakings* into preserving their interests or that of other investors regardless of the *Issuer's* actual interest in performing the *Placement*.

#### **1.2.4 FOREIGN EXCHANGE TRADING, WHERE THESE ARE CONNECTED TO THE PROVISION OF INVESTMENT SERVICES**

The provision of the foreign exchange trading, where this is connected to the provision of one or more *Investment services*, may entail a conflict of interest towards one or more *Customers*, when a *Relevant Person*:

- a) on the basis of the information received from one or more *Customers*, trades in derivatives and/or spot instruments on the currency subject of the foreign exchange trading in the interest of the Group;
- b) on the basis of the information received from one or more *Customers*, trades in derivatives and/or spot instruments on the currency subject of the foreign exchange trading in the interest of one or more *Customers*, to the detriment of others;
- c) enters into a currency derivative on behalf of a *Customer* and/or trades in spot instruments on the currency subject of the foreign exchange trading, in the interest of the Group rather than in the best interests of the *Customer*;
- d) recommends the *Customer* to trade on the basis of its own interest in light of reward systems in the provision of the service, rather than in the best interests of the *Customer*.



### 1.2.5 INVESTMENT RESEARCH, FINANCIAL ANALYSIS OR OTHER FORMS OF GENERAL RECOMMENDATION RELATING TO TRANSACTIONS IN FINANCIAL INSTRUMENTS

Bank does not produce or distribute Recommendations as a service.

### 1.2.6 SERVICES RELATED TO UNDERWRITING

- a) The simultaneous provision of services associated with the subscription of *Financial Instruments* to several companies operating in the same industry entails a conflict of interest vis-à-vis the *Issuers* where one of the *MiFID-scope companies* organises simultaneous or closely-timed placements as the *Company* might be induced into providing the service to promote the relationship with one of the *Issuers*, especially in the case where the Group holds a *Shareholding* in one of the aforementioned companies.
- b) The provision of the services connected with the underwriting of *Financial Instruments* on behalf of a specific company and the simultaneous provision with respect to another company of a *business consulting* activity aimed at the acquisition (hostile) of the former company entails a conflict of interest to the extent that the placement increases the contestability of the target company as the Group could be induced to favour relations with one of the *Customers*, especially if the Group has a *Relevant Stake* in one of the *Customers*.

### 1.2.7 INVESTMENT SERVICES AND ACTIVITIES, AS WELL AS PREVIOUSLY LISTED ANCILLARY SERVICES LINKED TO DERIVATIVES<sup>2</sup> IF LINKED TO THE PROVISION OF INVESTMENT OR ANCILLARY SERVICES<sup>3</sup>

No conflicts of interest other than those already highlighted were detected in the provision of *Investment services* or *Ancillary services* regarding *Financial Instruments*.

## 1.3 CONFLICTS OF INTEREST IN THE DISTRIBUTION OF INSURANCE-BASED INVESTMENT PRODUCTS

The distribution of *Insurance-based investment products* carried out by a *MiFID-scope company* may lead to a conflict of interest between the *MiFID-scope company*, *Relevant Persons* and *Customers* of the *MiFID-scope company*, as:

- a) the *MiFID-scope company*, in the activity of distribution, proposes *Insurance-based investment products* issued by insurance Companies of the *Group*;
- b) the *MiFID-scope company* receives remuneration from the insurance Companies in connection with the subscription of distributed *Insurance-based investment products* and relating after-sales assistance activities; this could induce the *Relevant Persons* to direct the commercial proposition towards products that guarantee greater remuneration, even regardless of the actual insurance needs of the *Customer*;

<sup>2</sup>In relation to this *Ancillary service*, 'derivative instruments' refer to the instruments included in the definition of *Financial Instruments*, under 5), 6), 7) and 10).

<sup>3</sup>"Ancillary services" means the investment services and ancillary services on the underlying of the financial services mentioned above (commodities, inflation rates and other), where said financial services are related to the provision of other *Investment services* and *Ancillary services* which instead concern *Financial Instruments*.

The *Group* has identified such *Ancillary services* as:

- advice on the purchase of gold, if such service is linked to a derivative entered into to hedge against fluctuations in the value of gold;
- advice on the purchase of gold and simultaneous advice on the purchase of shares of an *Issuer* whose main activity is the processing of gold.



- c) the reward system for *Relevant Persons* in charge of the distribution business provides that part of their remuneration is based on achieved commercial results: this could induce them to direct the commercial proposition towards *Insurance-based investment products* that allow them to achieve assigned objectives, even regardless of the actual insurance needs of the *Customer*.

## **1.4 OTHER CONFLICT-OF-INTEREST SITUATIONS**

### **1.4.1 MARKETING OF THIRD-PARTY COLLECTIVE INVESTMENT UNDERTAKINGS**

- a) The *Marketing of Collective Investment Undertakings* carried out by an SGR (or SICAVs or SICAFs) of the *Group* entails a conflict of interest, as the SGR (or SICAVs or SICAFs) may promote the *Marketing* of its own *Collective Investment Undertakings* over the one of third-party *Collective Investment Undertakings*, in the interest of the SGR rather than in the best interests of the *Investor*.
- b) The *Marketing of Collective Investment Undertakings* carried out as *Main Distributor* by the SGR (or SICAVs or SICAFs) of the *Group* entails a conflict of interest, where, in relation to its role, the SGR (or SICAVs or SICAFs) receives or may receive an incentive.

### **1.4.2 GIFTS AND OTHER FORMS OF BENEFITS**

The receipt and/or provision by *Relevant Persons* of gifts or other forms of benefits of significant value entails a conflict of interest as it might influence the proper provision of the *Investment services* and *Ancillary services*, including, the proper distribution of *Insurance-based investment products* and the proper *Marketing of Collective Investment Undertakings*.



## 2 GENERAL PROVISIONS FOR MANAGING CONFLICTS OF INTEREST

Regarding the *Investment services and activities* and *Ancillary services* provided and the distribution on *Insurance-based investment products*, this Chapter defines the main rules to follow and the actions to take for managing the conflicts of interest related to the above *Services* and activities and identifies, as part of the *Group* or Intesa Sanpaolo procedures implementing other legal provisions or regulations, those deemed appropriate for managing the conflict-of-interest situations listed in the first part of this document.

### 2.1 INFORMATION BARRIERS

Information Barriers (also called “Chinese Walls”) refer, at general level and with effect on all the Group, to the higher level functional and logistic segregation of the organisational structures, including the separation of the relevant personnel assigned to them, which provide *Corporate finance services and activities* to the *Customer* segments attributable to the Corporate side and those which provide *Investment services and activities* or some *Ancillary services* to investors or financial markets attributable to the Market side in order to guarantee that:

- the Market side structures do not acquire *Inside information* or *Confidential Information* or other reserved information known by the Corporate side, so as to prevent the risk that these, as part of their day-to-day market transactions or the processing of *Recommendations*, may operate by using such information;
- the Market side structures do not report, hierarchically, to the structures of the Corporate side nor, vice versa, can they get to know Corporate side transactions or activities; thus, they are able to operate in an independent manner, preventing, in this way, any phenomenon of market abuse or conflict-of-interest situations to the detriment of the *Customers*;
- the Corporate side structures do not - in any way - influence the Market Side structures in the performance of their activities (the same prohibition also applies to the Market Side structures);

The Corporate side conventionally includes those Group structures which, for Retail Companies, Professionals, Enterprise *Customers*, Corporate *Customers* and SME *Customers*, Financial Institutions, Supranational entities, States, Central and Local public bodies and Government-owned companies and entities:

- provide *Corporate finance services and activities*;
- are in charge of *Customer* relationship management;
- qualify expressly as “private enclaves”, as defined below, although they are located, in organisational terms, in the structures of the Market side.

The Market side conventionally includes all the Group structures which provide:

- *Investment services and activities*;
- *Ancillary services* (excluding *Advice to undertakings* and services related to underwriting *Financial Instruments* which instead fall within the activities of the Corporate side);
- Treasury (excluding the transactions involving the share capital of the Bank and own issues, which instead fall within the activities of the Corporate side) and Proprietary Trading activities.

In those cases where, in order to optimise processes and the service models adopted, the structures dedicated to Corporate and Market activities coexist within the same company structure, the organisational and logistic segregation measures are normally applied at the organisational structure reporting directly to the party in charge of managing the business undertaking.

With regard to the measures taken for the organisational segregation of the Corporate side and Market side PBZ Group has decided - including with regard to the need to prevent and manage situations of potential conflict of interest and wherever compatible with the service model - that the following





subjects are considered to be “above the wall in the broad sense”, which means they are above the information barriers, by virtue of the activities and roles they cover:

- President and members of the Management Board,
- Members of the Bank`s Corporate Bodies.

The presence of Information Barriers normally means that no organisational structure can perform activities included in the Corporate side and the Market side at the same time.

This general principle may include some departures with regard to the Corporate side and the Market side in cases that cannot be absolutely applied to other situations extensively.

The parties “above the wall in the strict sense” can also be some “relevant” managers to be identified expressly within Intesa Sanpaolo and in other *MiFID-scope companies* in special situations, in any case subject to the approval, on a case by case basis, of the Top Management in charge of the *MiFID-scope company* concerned (CEO, Management Board), and subject to the opinion of the Compliance function in charge of verifying that the request respects the limitations set out in the Model. In the resolution of appointment, addressed to the subjects concerned, the sphere within which such managers can be considered as subjects “above the wall in the strict sense” will be defined, and thus the need to support the top management in the strategic decisions/assessments relating to some categories of important transactions according to an approach that is no longer of the stand-alone type but that considers the overall return for the company of the *Group* considered, with reference to the *Customers* and their accounts, also through the participation in business committees purposely set up<sup>4</sup>.

Without prejudice to the segregation measures indicated above, in the cases where it is indispensable to make the contacts between the different sides of the Information Barriers possible in order to carry out the activities undertaken with the *Customers* (“need to know” principle), the *MiFID-scope companies* regulate the methods to make such contacts possible and to keep track of them, subject to adopting procedural measures and operating mechanisms which allow the triggering, if needed, of appropriate

All organizational units of the Bank must facilitate modalities of conduct that would ensure all activities to be within aforementioned restrictions in order to avoid improper use of *Inside Information*. Modalities of conduct must be adequately registered for subsequent supervision requirements.

Jointly with the rules regarding information barriers and the relevant crossing procedures, the *MiFID-scope companies* adopt additional organisational and process-related controls aimed at properly managing the provision of the *Services* and the relevant circulation of *Inside Information* also within the same side of the information barriers, in order to prevent forms of conflict of interest with *Customers*.

## **2.2 GROUP RULES FOR THE MANAGEMENT OF INSIDE OR CONFIDENTIAL INFORMATION OF OTHER ISSUERS**

### **2.2.1 WATCH LIST AND RESTRICTED LIST**

The adoption of a mechanism to record (*Watch List*) and carry out a preliminary analysis of some categories of transactions referred to *Sensitive Issuers* (so called *Sensitive situations*) allows to detect ex ante the operating situations which may give rise to conflict-of-interest situations and to identify possible precautions or operating limits aimed at mitigating such conflicts of interest.

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<sup>4</sup> The operation of interfunctional and business Committees must be governed from time to time by appropriate regulations that ensure compliance with the segregation principles set forth herein.



Such mechanism is present in the Parent company and some *Group* companies and must be adopted also by the other *MiFID-scope companies*, if necessary, on the basis of the type and the variety of activities carried out. It is based on reports to the competent *Appointed Unit* on the corporate/investment banking transactions and those relating to the management of *Stakes* in respect of which the *MiFID-scope companies* hold *Inside* or *Confidential information* related to *Other Issuers* or in any case information heralding potential conflicts of interest by some of the business structures on the Corporate side of the Information Barriers, and represents one of the most important databases for the configuration of the recording of conflicts of interest. More specifically, the *Watch List* is used to identify the following types of conflicts:

- conflicts vis-à-vis *Customers*: these are conflicts of interest which may arise in the provision of *Corporate finance services and activities* to the *Customer* companies due to the presence of other interests held by one of the *MiFID-scope companies*;
- conflicts among *Customers*: these are conflicts of interest that may arise from the simultaneous acceptance of several conflicting mandates and/or roles in providing *Corporate finance services and activities* to *Customer* companies;
- holding *Inside* or *Confidential Information* and *Material Non-Public Information* (“MNPI”): these are cases of asymmetrical information which may arise if the Group becomes aware of *Inside* or *Confidential Information* in providing *investment services and activities* as well as *Corporate finance services and activities* concerning *Sensitive Issuers*.

At the latest, the corporate/investment banking transactions and those relating to the management of *Stakes* are reported at the time a confidentiality agreement is signed, or earlier if the transaction is most likely to be carried out<sup>5</sup> and in any case before assuming formal commitments towards the *Customer*.

In the cases expressly provided for by detailed internal regulations, a report in the *Watch List* may be made also by business structures belonging to the Market side and, more specifically, when the related transactions are characterised by the fact that the *MiFID-scope company* holds *Inside* or *Confidential Information*, including under a merely potential profile, or, in any case, information heralding potential conflicts of interest, usually in relation to the relevance of orders/transactions handled, or in the case of market survey in which a *MiFID-scope company* has been asked to take part. In those cases, the report must be prepared promptly and possibly before taking on formal commitments in relation to the aforementioned transactions if compatible with the execution procedures.

Regarding the *Sensitive situations* reported in the *Watch List*, on a case-by-case basis and pursuant to the legal provisions and regulations in force, the *Appointed Unit* assesses the suitability of the measures ordinarily adopted to manage the conflicts of interest and provides, where appropriate i) the adoption of eventual additional measures and procedures and/or ii) the implementation of operating restrictions inserted in the appropriate list (so called *Restricted List*) and/or (iii) in reporting existing conflicts of interest to *Customers* (“disclosure”).

The detailed provisions that govern the operation of the *Watch List* and of the *Restricted Lists* may include cases of operating restrictions automatically applicable in the presence of certain situations that are specifically regulated.

In any case, the following transactions are prohibited in the provision of the *Advice to undertakings*:

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<sup>5</sup> The transaction is considered as reasonably likely to be carried out if the *Customer* or the counterparty has expressly shown its willingness to proceed further with the transaction even though no decision has yet been taken in that respect. In the case of transactions relating to *Shareholdings*, the transaction is deemed most likely to be carried out when, for example, an ad hoc work group is set up for the purpose, or when the intention concerning an investment or disposal, though not formally approved by authorised subjects/bodies, is discussed – within the limits allowed based on general regulations – with the other shareholders of the company targeted by the transaction or with its management or with the potential equity partners, and regards some defined proposals.



- a *MiFID-scope company* provides advisory services to several companies bidding for the acquisition of the same asset;
- a *MiFID-scope company* provides advisory services to two companies which are counterparties of the same transaction (e.g. adviser of the purchaser and of the seller of the same asset);
- a *MiFID-scope company* provides advisory services to a company for the acquisition of one of the companies of the *Intesa Sanpaolo Group* or a company on which the *Intesa Sanpaolo Group* has significant *Influence* or a *Shareholding* in such companies when a company of the *Intesa Sanpaolo Group* is the seller;
- a *MiFID-scope company* provides advice to a company for the acquisition of an asset held by a Company of the *Intesa Sanpaolo Group* or a company on which the *Intesa Sanpaolo Group* has significant influence.

Both the *Watch List* and the *Restricted List* are managed through a dedicated software package which satisfies the traceability and confidentiality requirements in line with the standards adopted by the Parent Company.

## 2.2.2 INSIDER LIST AND LIMITED INFORMATION LIST

Pursuant to the provisions of Article 18 of the *MAR*, as well as the company rules governing the matter – consisting of the „Group Rules for the Management of Inside and Confidential Information from Other Issuers” – the Group Companies that access *Inside information* draw up and update an *Insider List* when *operating in the name or on behalf of the Customers* of the *Group* which are:

- *Issuers of Financial Instruments* admitted to trading on a *Regulated* market or in respect of which a request was filed for admission to trading on a *Regulated* market in a Member State of the *European Union*;
- *Issuers of Financial Instruments* traded on an *MTF*, admitted for trading on an *MTF* or in respect of which a request was filed for admission to trading on an *MTF* in a Member State of the *European Union*;
- *Issuers of Financial Instruments* traded on an *OTF* in a Member State of the *European Union*;
- *Issuers of Financial Instruments* not included in the preceding points whose price or value depends on a *Financial Instrument* referred to in the preceding points, or has an effect on this price or value, including, but not exclusively, credit default swaps and contracts for difference.

The same obligations also apply to companies of the Group which operate *In the name or on behalf of*: i) participants in the emission allowance market <sup>6</sup>and ii) auction platforms for emission allowances (as provided by Art. 18, paragraph 8 *MAR*).

In order to address the need to univocally account for *Sensitive situations* that may constitute or give rise to the access, or even merely potential access, to *Inside Information* or *Confidential Information*, including when concerning cases that are different from those included in Article 18 of the *MAR*, the *Group's regulations* mentioned above provide for the creation of a *Limited Information List*. The *Limited Information List* is established and updated on the basis of reports from the *Watch List* in all cases in which it is established that a Group company has access to:

- *Confidential Information* relating to *Other Issuers*;
- *Inside Information* relating to *Other Issuers*, so far as the Group company does not operate *In their name or on behalf of them*.

The aforementioned lists are subdivided into sections relating to specific transactions, information or events in which, as the occasion arises, registration is made of the company representatives, employees or persons outside the Company and/or the Group who have access to *Inside Information* or *Confidential Information* on *Other Issuers*.

<sup>6</sup> Emission allowances means the emission allowances of greenhouse gases according to Directive 2003/87/EC.



In compliance with Group principles, the Bank has adopted its own Policy for the management of inside and confidential information of other issuers.

## **2.3 GROUP RULES FOR THE MANAGEMENT OF THE INSIDE INFORMATION OF THE PARENT BANK**

In compliance with current regulatory provisions, the Parent Bank has adopted the “Group Rules for the management of the inside information of Intesa Sanpaolo” which regulates the management process of *Inside information* relating to Parent Bank and the other companies of the *Parent Bank’s Group*.

In this context, inter alia, the following measures and procedures are implemented:

- organisational measures aimed at the management, protection and control of information likely to take on a privileged nature and the *Inside information*, including the activation of monitoring and *Insider Lists* relating to *Inside information* of the *Parent Bank* established pursuant to Art. 18 of MAR;
- measures to guarantee maximum confidentiality of information that can be assumed to be of an inside nature *Inside information* until it is released to the public;
- restriction measures in relation to transactions of *Financial Instruments* issued by companies of the *Parent Bank Group*, in the periods of possession of *Inside information*, taking into account the organisational measures taken;
- reporting process of *Inside information* to the market, in a manner consistent with the law and with the best practices of listed *Issuers* for the prevention of market abuse, as well as organisational measures and the decision-making process for assessing the existence of conditions to possibly delay the communication of *Inside information* to the public and related control measures.

These measures are consistent to the management, based on fees for due diligence, correctness and transparency, of the potential conflicts of interest relating to investment *Services* relating to *Financial Instruments* issued by *Parent Bank Group* companies subject to *MAR*.

In compliance with Group principles, the Bank has adopted its own Policy for the management of the inside information of PBZ.

## **2.4 CODE OF ETHICS, INTERNAL CODE OF CONDUCT AND GROUP ANTI-CORRUPTION GUIDELINES**

In relation to the conflicts of interest associated with *Relevant Persons*, the *Group* has adopted internal Codes and Guidelines which, inter alia, provide for:

- rules on gifts, freebies and hospitality offered to executives and employees;
- rules of conduct applicable to relationships with *Customers*.

The aforementioned documents represent the measures adopted to manage the conflicts of interest which may arise as a result of the personal interests of the *Relevant Persons* or of some of them where expressly stated.

Moreover, under certain circumstances, the *Group* adopts procedures for recording the *Persons related to a Relevant Person* in order to monitor potential conflict-of-interest situations highlighted in the first part of this document.

The *Group* does not tolerate the use of free gifts and entertainment expenses in order to influence the independence of judgment of the recipient or in any way induce them to confer favours and, therefore, it is forbidden:



- to distribute gifts, promise or grant benefits of any nature that may be interpreted as going beyond normal commercial and/or institutional courtesy, i.e., as a means used to obtain favours in the exercise of any function and/or in the course of any activity related to the *Group*;
- to accept, for oneself or others, gifts in excess of a moderate value or any other benefit that may go beyond normal commercial and/or institutional courtesy or be aimed at impairing independence of judgment and proper business conduct.

Pursuant to the “Rules for management of gifts and entertainment expenses”, acts of commercial and/or institutional courtesy of modest value are to be considered gifts or any other benefits (e.g. invitations to sporting events, shows and entertainment, free tickets, etc.), coming from or destined to the same person/institution, that do not exceed the value of €150 in a calendar year.

Any gifts or other benefits exceeding a value of €150 are admitted on an exceptional basis considering the profile of the donor and/or recipient and, at any rate, within reasonable limits, upon prior authorisation by a supervisor holding a position of at least Head of Department or of an equivalent company organisational unit.

The set annual value limits for gifts and other benefits do not apply to entertainment expenses do not apply to events and forms of reception and hospitality (included lunches, dinners, parties) involving the participation of company officials and Group personnel provided that these are strictly related to business or institutional relations and are reasonable considering the commonly accepted practices of commercial and/or institutional courtesy.

In compliance with Group principles, the Bank has adopted its own Code of Ethics, Code of Conduct and Anti-Corruption Guidelines.

## **2.5 GUIDELINES FOR THE APPROVAL OF NEW PRODUCTS, SERVICES AND ACTIVITIES AIMED AT SPECIFIC TARGET CUSTOMERS**

“Guidelines for the approval of new products, services and activities aimed at specific target customers” have been adopted at Group level to govern the approval processes for new products, services and activities in order to coordinate – in a single document – the product oversight governance processes (hereinafter “Product Governance”) for products intended for specific target *Customers*. The regulatory framework set up throughout the Group allows the interests of *Customers* to be taken into account throughout the entire life of these products, from the conception phase to the after-sales phase.

In summary, the evaluation process of a new product<sup>7</sup> consists of the following steps:

- i. product concept;
- ii. feasibility analysis;
- iii. clearing;
- iv. product approval;
- v. post-sales monitoring.

These process steps are articulated according to the specific types of products (i.e. financial, banking and insurance-based products) and to the role carried out (i.e. manufacturer or distributor). Lastly, the process is managed through cross-functional tables that see the joint participation of the business and control functions, as well as of any functions or structures identified on the basis of the characteristics of the product, service or activity under analysis.

The Guidelines and the implementing Regulations identify the responsibility of the structures involved, tracking the approval process and defining information flows to the Corporate Bodies.

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<sup>7</sup> In this paragraph, "product" means "products, services and activities" aimed at specific target *Customers*.



In compliance with Group principles, the Bank has adopted its own “POG Policy” which governs the approval processes of new products, services, activities and markets in order to coordinate the product oversight governance processes aimed at specific target customers of PBZ Group “POG Policy”

## **2.6 GUIDELINES FOR THE GOVERNANCE OF THE GROUP’S MOST SIGNIFICANT TRANSACTIONS**

The *Intesa Sanpaolo Group* attaches the utmost importance to correctly assessing risks and establishing an adequate system of oversight and controls to mitigate them, to ensure there is an acceptable residual risk level in line with the decisions taken when defining the Risk Appetite Framework<sup>8</sup>.

In this context, the *Group* has defined specific Guidelines to regulate an adequate control system for the evaluation of the Most Significant Transactions<sup>9</sup>, for which is provided, in addition to ordinary clearing processes, a prior assessment by the Risk Management function, with the support of the Compliance function, within the scope of the latter’s competencies, to ensure that all risk profiles are covered.

The outcome of this risk assessment is summarised by the Chief Risk Officer Area within the context of a prior opinion to Corporate Bodies on the consistency of the transactions under review with the Risk Appetite Framework, with account taken of any compliance profiles, including the conflict-of-interest ones.

## **2.7 THE REMUNERATION DISCIPLINE**

The remuneration and incentive systems of financial and insurance intermediaries are a means of ensuring sound, prudent company management in line with the interests of all stakeholders, according to criteria of equity, sustainability and competitiveness, in view of increasing – among others – the degree of transparency towards the market and effectively managing conflicts of interest in the overall activities carried out by intermediaries.

In this regard, the *Intesa Sanpaolo Group* has implemented the Remuneration and Incentive Policies, approved by the Shareholders’ Meeting, the Rules for identifying staff that have a material impact on the risk profile of the Group included in the Remuneration and Incentive Policies and the Technical Rules concerning these governance documents.

Within the framework of the principles underlying the Remuneration Policies of *Intesa Sanpaolo Group*, the following principles are pointed out:

- the alignment of management and employee behaviour to the interests of shareholders, medium and long-term strategies and corporate objectives, within a framework of rules aimed at controlling risks and complying with laws and regulations;
- the recognition of awards on the basis of merit, linked to the results achieved and the risks assumed; the fairness and gender neutrality, with remuneration linked to the level of responsibility

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<sup>8</sup> Risk Appetite Framework is the overall framework that defines - consistently with the maximum risk that can be assumed, the business model and the strategic plan - the risk appetite, tolerance thresholds, risk limits, risk management policies and the relevant processes necessary to define and implement them.

<sup>9</sup> Major Significant Transactions are defined as transactions of particular relevance, whether proprietary or with individual *Customers* or counterparties, which may potentially have a significant impact on the overall risk profile and/or the specific risks of the Group as defined in the Risk Appetite Framework.



measured through the Banding system<sup>10</sup> and professional seniority, and attention to the gender pay-gap;

- the corporate sustainability, ensuring that the obligations deriving from the policy are contained within values compatible with medium and long term strategies and with annual objectives.

In order to ensure risk management and correct behavior, including the management of conflicts of interest, under incentive systems:

- quantitative (e.g. sales volumes, revenues) and qualitative, financial and non-financial targets are used, which also consider behavior and compliance requirements;
- targets are assessed over time horizons of at least one year, to ensure their sustainability and avoid possible distorting effects;
- targets are risk-adjusted to reward good behavior and avoid inducements for excessive risk-taking;
- procedures for the deferred payment of part of the bonuses and their payment in shares of the Bank (or instruments linked to them) are contemplated, so as to comprise the future effects of the behavior and risks assumed, and to reduce or cancel the deferred portions if incorrect behavior or negative consequences for the Bank emerge over time.

As far as commercial networks are concerned:

- KPIs of customer satisfaction and fairness in the relationship with the *Customer* are provided for;
- objectives on which variable remuneration depends are not linked to a specific product's distribution;
- for the purposes of achieving the objectives, only transactions in line with the needs expressed by *Customers* and adequacy checks are considered.

In compliance with Group principles, the Bank has adopted its own PBZ Group Remuneration and Incentive Policies.

## 2.8 RULES ON PERSONAL ACCOUNT DEALING

In relation to the conflicts of interest associated with *Relevant Persons*, the “Group Rules on personal account dealing” have been adopted, which for *MiFID-scope companies* govern the investments in *Financial Instruments* made at personal level (i.e. outside the activity carried out on the behalf of *the Companies of the Group*) by the *Relevant Persons*.

According to the “Group Rules on personal account dealing”, all the *Relevant Persons* may not:

- perform personal transactions:
  - using *Inside Information* or *Confidential Information*<sup>11</sup> of which they are aware;
  - that are or might be in conflict with the interest of *Customers* or potential *Customers* or that are in contrast with the duties and obligations of intermediaries according to the provisions that govern the supply of financial services;
  - if they are aware of the likely terms or content of a *Recommendation* before it becomes accessible to *Customers* or the public;
- advise third parties to perform such operations;
- communicate to other people, outside the normal framework of their working activity, information or options regarding *Inside Information* or *Confidential Information*.

Additional limitations apply to the *Relevant Persons*:

<sup>10</sup> The Global Banding System adopted by the *Intesa Sanpaolo Group* is based on the clustering into homogeneous groups of managerial positions that can be assimilated by levels of complexity / responsibility managed, measured using the international methodology for evaluating International Position Evaluation (IPE) roles.

<sup>11</sup> The definition of *Confidential Information* includes the relevant non-public information received by the employee during a public offering of shares and/or bonds in U.S.



- involved in more sensitive activities (e.g. corporate finance or extraordinary services; evaluation or granting of loans to business or corporate *Customers*, financial institutions, supranational institutions, states, central and local government agencies, businesses and companies in which the state has equity Interest; management of relations with the business and corporate *Customers*, financial institutions, supranational institutions, states, central and local government agencies, businesses and companies in which the state has equity Interest; management of the Intesa Sanpaolo and *Group Shareholdings*; treasury activities, proprietary trading, trading services - on behalf of themselves and of third parties - and stock loans, asset management, production and production support of *Recommendations* on investments or *Other* information that recommends or advises on investment strategies; activities as *Administrator* or *Contributor* of a *Benchmark*);
- interests in registrations on the *Insider Lists* or in *Limited Information Lists*;
- belonging to organisational units that are subject to operating restrictions included in the *Restricted List*;

holding top management positions, such as persons directly reporting to the Managing Director and CEO of Intesa Sanpaolo, including the Heads of the Private Banking, Insurance and Asset Management Divisions, as well as their Deputies, if any, the Group Chief Audit Officer and the Manager responsible for preparing the company's financial reports.

The "Group Rules on personal account dealing" apply to both the personal transactions performed at the Italian banks of the *Group* and those performed at other intermediaries and are subject to specific obligations regarding notification, registration and monitoring of the transactions.

The provisions of the "Group Rules on personal account dealing" complement those already contained in the "Code of Conduct of the Group" and apply without prejudice to the provisions on market abuse and internal dealing.

In compliance with Group principles, the Bank has adopted its own PBZ Policy on personal account dealing.

## 2.9 GROUP RULES ON BENCHMARK

Pursuant to the applicable legislation on the matter (Regulation (EU) No. 1011/2016), *Intesa Sanpaolo Group* has envisaged the adoption of organisational measures aimed at ensuring, among other things, the correct management of conflicts of interest for activities related to the management of *Benchmarks* including contribution, and/or their use.

The regulation provides, *inter alia*:

- the adoption of segregation measures between the organisational units belonging to *Group* companies involved in the performance of activities related to the role of *Administrator*, *Contributor* or *User* of a *Benchmark* and *Dealing on own account* and market making on *Financial Instruments* or financial contracts whose value and/or yield is linked to *Benchmark* and the implementation of restrictions on the circulation of information between the aforementioned organisational units. In particular:
  - to personnel belonging to a *Group* company involved in the performance of activities connected to the role of *Administrator*, it is generally forbidden to contribute to the determination of the same *Benchmark* through offers for purchase or sale and transactions;
  - the organisational units of *Group* companies that perform the role of a *Administrator* or a *Contributor* of a *Benchmark* must be segregated both from those engaged in *Trading on own account* and market making on *Financial Instruments* or financial contracts whose value and/or yield is connected to the same *Benchmark Indices* and to those that play the role of *Users* of the same *Benchmark Index*;
- the formalisation of specific business processes that define the organisational structures involved, the information flows put in place, the objective criteria for determining the parameters to be contributed and for calculating the *Benchmark Indices*;





- specific controls on the process for determining the *Benchmark Indices* and the contribution of the related parameters;
- the publication (including through a website) and/or the communication to the *Users of Benchmark Indices*, to the relevant competent authority and to *Contributors*, of all actual or potential conflicts of interest, and those deriving from ownership and control of the *Administrator*;
- by every subject belonging to a *Group* company involved in the activities related to the role of *Administrator*, *Contributor* or *User of a Benchmark*, the respect of principles aimed at ensuring i) the utmost integrity, transparency and independence in the performance of the assigned duties, ii) objectivity, diligence and professionalism appropriate to the assignment as well as iii) adequate confidentiality in the processing of the information acquired as a result of the assignment performed;
- the adoption of remuneration policies aimed at avoiding situations of potential conflict of interest.

### 3 PBZ PROCEDURES FOR MANAGING CONFLICTS OF INTEREST

In addition to the general provisions and the measures adopted at Group level to manage conflicts of interest situations which might be detrimental to the interest of one or more Group customers, the Bank has defined – in relation to the *Investment services and activities* and *Ancillary services* as well as the distribution of *Insurance-based investment products* provided to its *Customers* – additional rules and procedures for managing such conflicts of interest; in particular, it has identified among the rules and procedures already adopted by the Bank to implement other legal provisions or regulations, those which are considered appropriate also for managing conflicts of interest identified in the first part of these Rules.

#### 3.1 RULES ON INDUCEMENTS

PBZ has adopted Inducements Management Policy to manage the inducements paid/received for (i) the provision of *Investment services and activities*, *Ancillary services*, distribution of *Insurance-based investment products* as well as for (ii) the distribution of *Investment services and activities* and *Ancillary services* which describes the schemes aimed at guaranteeing compliance with the legal terms pursuant to the provisions of the regulations in force.

This document provides a description of the criteria to be used to guarantee the compliance of the validity conditions of the inducements, the choices made with regard to the PBZ policy for managing inducements in terms of methodological approach and related evaluation principles.

As regards inducements subject to eligibility conditions, an evaluation process is envisaged to ascertain that they are:

- effectively aimed at giving a better-quality service to *Customers*;
- they do not prevent the intermediary from complying with his duty to act in the best interests of the *Customer*.

PBZ has formalised non-discretionary rules of conduct aimed at making incentives neutral with respect to the choices relating to the various obligations required by the law. In this regard, it is important to: adopt technical-financial parameters for the selection of the products/services to offer to *Customers*; use a model to assess non-discretionary suitability in order to support personalised recommendations, adopt suitable policies on best-execution and the management of conflicts of interest, as well as criteria



and rules on defining remuneration standards varying in relation to the complexity of managing the product/services and the added value for the *Customer*. In particular, PBZ:

- has adopted organisational and procedural solutions to prevent the Bank's activities being affected by the differing amounts of incentives received by third parties for Services performed to the *Customer*;
- has set some rules for the determination of the incentives that can be generally received upon the subscription of *Financial products* and/or *Insurance-based investment products* during the relative maintenance in the portfolio (including, where provided, claw-back mechanisms for entry fees in the event the product is disinvested before the end of the amortization period);
- it has adopted rules to ensure that the aforementioned incentives are aimed at improving the quality of the service towards the *Customer* and do not jeopardise the Bank's duty to better serve the *Customer's* interests. In particular, to improve the quality of the service provided, the Bank will carry out and send to the *Customer* the periodic assessment of the portfolio's consistency.

In compliance with the above criteria, the amount of retrocession to be paid to the Bank for each individual product is determined as part of the product governance processes.

In any case, the monetary and non-monetary inducements paid to/received from third parties should be disclosed to the *Customers* through information provided on a prior basis and subsequent to the provision of the service to which they refer.

### **3.2 RULES ON THE PROVISION OF ADVISORY SERVICES AND OTHER INVESTMENT SERVICES AND SUITABILITY ASSESSMENT**

The Bank has adopted a set of policies and procedures aimed at ensuring that, in providing the *Investment advice* and *Portfolio management* service, it exclusively recommends transactions that are suitable to the *Customer*.

The Bank provides *Investment advice* which consists in the formulation of "personalised recommendations" to *Customers* on *Financial products* and offered *Investment services*. These recommendations are provided by the Bank to the *Customer* only after evaluating the suitability of the transaction on a case-by-case basis, after having obtained from the *Customers* (or potential *Customers*) information regarding their knowledge and experience on investments as well as the *Customer's* financial situation investment goals, including risk tolerance and any *Sustainability preferences*.

The Bank assesses the suitability of transactions by reference to: i) the specific degree of knowledge and experience of the Customer in accordance with the complexity of the Financial Product/Financial Instrument/Insurance-based investment product; ii) the risk that the Portfolio may be exposed to as a result of the transactions; iii) how frequently the Customer gives instructions to carry out transactions affecting its Portfolio; iv) the degree of concentration on the Issuer of the Financial Product traded in the Portfolio; v) the level of concentration in Complex Financial Products; vi) and the level of concentration by currency; vii) and controls the consistency that of the value of the Financial Products/ Insurance-based investment products in the Portfolio classified in "Reserve" is in line with the liquidity needs specified by the Customer at the time its profile was created; viii) the consistency between the percentage and that of the value of the Financial Products/ Insurance-based investment products in the Portfolio and, characterised by a holding period longer than 5 (five) years and the percentage specified by the Customer at the time its profile was created; ix) the consistency between the level of potential loss associated with the investment product/Service and the level of loss-bearing capacity associated with the Client; x) to the consistency of the *Customer's* Portfolio in terms of percentage exposure in *Financial Products* that meet the internally adopted classification criteria for ESG purposes with respect to the minimum percentages of the Portfolio that the *Customer* intends to allocate to investments designed to fit its *Sustainability Preferences*. With regard to Placement Products, the Bank guarantees utmost protection for the Customer by electronically blocking purchase



transactions which appear to be “unsuitable” for the Customer’s profile; IT lockout does not apply in relation to *Sustainability preferences*.

Further to the *Insurance-based investment products*, the Bank collects the information necessary to carry out the analysis of the *Client’s* insurance needs by means of a questionnaire to analyse needs and requirements, which is completed prior to the configuration of the product itself and to the assessment of the appropriateness of the product for the *Client*, according to the requirements of the Croatian Insurance Act. The positive outcome of the questionnaire determines the possibility of proceeding with the configuration of the chosen product and the relative investment proposal which, if adequate, allows the subscription of the *Insurance-based investment product*.

### **3.3 EXECUTION AND TRANSMISSION OF ORDERS STRATEGY**

The Bank executes orders received from *Customers* (classified as retail, professional and *Eligible Counterparties*), for all the categories of instruments other than OTC derivatives and repurchase agreements, ensuring high quality standards seeking the best execution of orders since the Bank is a direct member of the Zagreb Stock Exchange.

Through Market Hub, orders received from *Customers* may be sent for execution to *Regulated Markets*, *MTF*, *OTF* or liquidity providers, including the Bank itself, which may execute *Customers’* orders on its own account (also using, on a residual basis, the order execution method defined as “Market Hub PIT”), possibly in its capacity as *Systematic Internaliser*.

Through the said platform, the dynamic management of the best execution is ensured, i.e., for each order received, the identification of the *Execution venue* – out of those included in its execution Strategy and in compliance with any regulatory constraints of the same order – able to offer the best result at the time, on the basis of the hierarchy of specific factors defined in the Strategy.

Market Hub, for Intesa Sanpaolo and other *Group Companies*, manages access to markets and the various trading platforms as well as relations with third party brokers. This choice allows to achieve efficiency objectives reducing the cost of *Customer* operations by virtue of the Order Execution Policy adopted and, in particular, the factors taken into account when identifying *Execution venues*.

The reason behind this choice is to offer a better service to the *Customers* and, in particular, to reap benefits in terms of:

- lower trading costs for the *Customer*, as a result of the synergies present within the Bank in terms of interaction of the information systems, which allows for lower connection costs and of integrated management of all the phases of the trading process (including the settlement and clearing services);
- direct access to several markets by the Bank.

The chosen model, in consideration of the stability and relevance of the execution volumes achieved, allows, on the one hand, to minimise the costs of each transaction, and on the other hand, to benefit from advantageous commercial terms for direct and indirect access to the markets.

In order to increase the degree of transparency and understanding of the transmission and execution practices of the orders adopted in favour of its *Customers*, the Bank publishes annual report on the quality of execution obtained at the first 5 *Execution venues/brokers*<sup>12</sup>.

The document referring to the data relating to the previous calendar year is published annually on the Bank’s website and remains available for that year.

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<sup>12</sup> Following ESMA's update of the Q&A on Investor Protection on October 3, 2018, the Bank is required, as part of the Annual report on the top five Execution venues/execution quality, to provide disclosure of the identity of the top five counterparties with which Client orders were executed, on an Execution venue, via an RFQ system provided by those venues.



Whenever significant changes are made to the Transmission and execution strategy, the Bank shall ensure that the *Customers* are properly informed.

### **3.4 TREASURY MANUAL**

The Bank has adopted general rules (PBZ Treasury manual) governing the activities carried out by the staff of the Treasury, both in case of proprietary and third-party transactions.

In general, by carrying out their activities, the Treasury staff are required to maintain an ethical and professional conduct in order to promote the markets' fairness and integrity.

They are therefore required to commit themselves to:

- achieving the highest ethical standards (acting honestly, correctly and with integrity);
- achieving the highest professional standards (offering the highest level of professionalism and high standards of conduct when trading on the market);
- acting with accuracy when negotiating and executing transactions.

### **3.5 RULES ON THE ALLOCATION PROCESS WHEN PLACING OTHER ISSUERS' FINANCIAL INSTRUMENTS**

While placing *Financial Instruments* of *Other issuers*, PBZ has implemented Allocation Policy.

With this document, the Bank determines the following towards the *Issuers*:

- the main organizational procedures and activities carried out by the Bank in connection with the management of conflicts of interest that may occur during the provision of services;
- allocation criteria that are applied when issuing financial instruments;
- stages of procedures related to allocation recommendations that the Bank provides to the *Issuers*;
- the estimated time related to each stage of the procedure in connection with the allocation recommendations that the Bank delivers to the *Issuers*.

The Allocation Policy will be made available to the *Issuers* before agreeing to acceptance of the placement services.

### **3.6 RULES APPLIED TO INSURANCE DISTRIBUTION**

*Insurance-based investment products* are partly subject to the provisions in the "Policy for investment advisory service". *Insurance-based investment products* offered to *Customers*, are therefore subject to a prior assessment of the appropriateness of the product for the Client according to the requirements of the Croatian Insurance Act. For *Insurance-based investment products* PBZ provide advisory service according to the MIFID regulation but not according to the IDD/Croatian Insurance Act regulation.

In compliance with the provisions of the specific rules and regulatory provisions of the insurance industry, the Bank takes information from *Customers* to guarantee the nature of the proposed products fully meets the insurance needs of the *Customer*.



## 4 DISCLOSURE OF CONFLICTS OF INTEREST AND RELATED REGISTER

### 4.1 DISCLOSURE OF CONFLICTS OF INTEREST

*MiFID-scope companies* provides *Retail Customers* (or potential *Retail Customers*) and *Investors* with a description, also in summarised form, of the conflict of interest policy followed by them.

Every time *Retail Customers* (or potential *Retail Customers*) or *Investors* so request, *MiFID-scope companies* will provide further details on the conflict of interest policy using a *Durable medium*, or the website, provided that, in the latter case, the provisions set out in Article 3(2) of Delegated Regulation (EU) 2017/565 are complied with<sup>13</sup>.

Furthermore, the *MiFID Regulation* provides that, where the organisational and administrative measures adopted to manage conflicts of interest are not sufficient to hedge against the risk of harming the interests of the *Customer* or *Investor* with reasonable certainty, the *MiFID-scope companies* must clearly inform the *Customers* before acting on their behalf, of the general nature and/or sources of conflicts of interest, as well as of the risks generated for the *Customer* and of the actions taken to mitigate them so that they can adopt an informed decision on the services provided in the context of which the conflict-of-interest situations occur. Similar principles are set out in Regulation (EU) 2017/2359 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to distribution of *Insurance-based investment products*.

In accordance with the *Prospectus Regulation*, also where organisational and administrative measures have been taken to manage conflicts of interest, *MiFID-scope companies* shall notify *Customers* of any conflict-of-interest situations which may take place within the offer documentation, as regards the provision of the *Placement service*.

The compliance function of the Parent Company identifies, based on predefined relevance criteria, the conflict-of-interest situations that must be disclosed and communicates them to the competent structures of Intesa Sanpaolo and the other Companies of the Group for which such function operates under centralised management. The important situations at Group level are communicated to the other *MiFID-scope* subsidiaries only upon the explicit request of these *Companies* and for disclosure purposes as identified according to their Rules.

The above provisions also refer to distribution of financial instruments manufactured by the third parties through the branch network of the Bank (including units in UCITS funds).

### 4.2 REGISTER OF CONFLICTS OF INTEREST

The compliance function of the Bank has access to the information regarding situations that may generate a conflict of interest in the provision of the *Investment services and activities* and *Ancillary Services* concerned and the distribution of *Insurance-based investment products*, including the

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<sup>13</sup> The conditions set out in the Delegated Regulation (UE) 2017/565 of 25 April 2016 are deemed to be satisfied when:

- the use of the website is suitable to the context in which the relationship between the *MiFID-scope company* and the *Customer* takes or will take place;
- the *Customer* expressly agrees to the provision of information by those means;
- the *Customer* is informed, by email, of the website and the page where the information may be obtained;
- the information is up-to-date;
- the information is continuously accessible for the entire period of time that the *Customer* may reasonably need to obtain it.



transactions managed by the *Watch List* application and the related reports of personal interest of the employees for the active management of the relevant conflict-of-interest situations (including the processing of disclosures for *Corporate finance services and activities*). The aforesaid situations of potential conflict of interest are recorded in a special application available to the compliance function of the Bank.

Compliance function manages and constantly updates a register in which, by specifying the types of Investment services and activities and Ancillary Services, the Bank records the situations which have given rise, or in the case of a service or an activity currently under way, which may give rise to a conflict-of-interest that is likely to be seriously detrimental to the interests of one of more Customers or the Bank.



## ATTACHMENT - GLOSSARY

Here below is the glossary of the terms used in the Rules, the definition of which can be found in this Glossary, are capitalised and written in italics. Even if the terms included in this Glossary are, as a rule, stated in the singular, within the Rules the same terms may be used, if appropriate, in the plural and in that case they shall have the same meaning shown below.

### *Administrator (of a Benchmark)*

A natural or legal person who has control over the provision of a *Benchmark*.

### *Advice to undertakings*

This relates to the *Ancillary advice service* provided to companies on topics such as capital structure, industrial strategy and related matters, and advice and services relating to mergers and the purchase of companies.

### *Ancillary services*

These refer to the following:

- 1) the custody and administration of *Financial Instruments* on behalf of the Customer, including the custody and related services such as the management of cash/real guarantees and excluding the management function of securities at the highest level;
- 2) the granting of credit or loans to *Investors* to allow them to carry out a transaction in one or more *Financial Instruments* involving the undertaking granting the credit or loan;
- 3) Advice to undertakings on capital structure, industrial strategy and related matters, as well as advice and services relating to mergers and the purchase of undertakings;
- 4) the service of foreign exchange trading, where connected with the provision of *Investment Services*;
- 5) Investment research, financial analysis or other forms of general *Recommendation* relating to transactions in *Financial Instruments*;
- 6) Services related to underwriting;
- 7) *Investment Services* and activities, as well as previously mentioned *Ancillary Services* linked to derivative instruments<sup>14</sup> if linked to the provision of *Investment* or *Ancillary Services*.

### *Appointed Unit*

This refers to the function responsible for managing *Inside* and *Confidential* Information relating to *Other Issuers* and the upkeep of the *Lists*. The *Appointed Unit* is Compliance Department of *the Bank*.

### *Benchmark*

This refers to any index by reference to which the amount payable under a *Financial Instrument* or a financial contract, or the value of a *Financial Instrument*, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

### *Broker/Dealer*

This refers to the authorised intermediary who carries out *Dealing on own account* or executes orders on behalf of *Customers*.

### *Collective investment undertakings (CIU)*

These refer to mutual investment funds, including UCITS funds.

### *Collective portfolio management*

This refers to the *Service* provided by the management of Collective Investment Undertakings and related risks.

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<sup>14</sup>In relation to this ancillary service, "derivative instruments" means the instruments referred to in the definition of *Financial Instruments*, (points 5), 6), 7) and 10).



### *Company in which the Group has a Relevant Stake*

This refers to a company in which the *Group* holds a *Relevant Stake*.

### *Complex Financial Products*

For the purposes of Article 25, paragraph 4, letter a), points ii), iii) and v) of *MiFID II* and consistently with the indications provided by ESMA within the ESMA guidelines contained in the Opinion of 7 February 2014 and 27 March 2014 called “MiFID practices for firms selling complex products” and “Structured retail products – Good practices for product governance arrangements” from the “Guidelines on complex debt instruments and structured deposits” issued by ESMA on 4 February 2016, the following *Financial Products* are considered to be complex:

- debt instruments that incorporate a derivative (including, for example, convertible and exchangeable bonds, indexed bonds and turbo certificates, potential convertible bonds, debenture obligations or options with a sell option, credit-linked notes and warrants);
- debt instruments that incorporate a structure that makes it difficult for the *Customer* to understand the risk, including:
  - (a) debt instruments whose return depends on the result of a defined asset aggregate (including, for example, RMBS, CMBS, CDO);
  - (b) debt instruments whose return is subject to repayment of the debt securities held by others (including, for example, subordinated debt instruments);
  - (c) debt instruments in relation to which the Issuer has the discretionary power to change the cash flows of the instrument;
  - (d) debt instruments without a specified repayment date or maturity (including, for example, perpetual bonds);
  - (e) debt instruments with an unusual or unknown underlying (including, for example, debt instruments that refer to the underlying as non-public benchmarks, composite indices, niche markets, highly technical measures (including price volatility and combinations of variables));
  - (f) debt instruments characterised by complex mechanisms for establishing or calculating the yield;
  - (g) debt instruments structured in such a way that it is not possible to anticipate the entirety of the repayment of the principal amount (including, for example, debt instruments eligible for the *bail-in* tool);
  - (h) debt instruments issued by a vehicle company (SPV) in circumstances where the name of the debt instrument or the company name of the vehicle company may mislead *Investors* about the identity of the Issuer or guarantor;
  - (i) debt instruments with complex guarantee mechanisms (including, for example, debt instruments with a guarantee mechanism where the factor that triggers the activation of the guarantee depends on one or more conditions that are added to the fulfilment of the Issuer);
  - (j) debt instruments with leverage characteristics;
- structured deposits that incorporate a structure that makes it difficult for the *Customer* to understand the risk of return (including, for example, structured deposits where more than one variable affects the return obtained, structured deposits where the relationship between the return and the relevant variable or the mechanism for determining or calculating the yield is complex, structured deposits where the variable involved in the calculation of the yield is unusual or unknown for the average retail *Investor*, structured deposits where the contract gives credit institutions the unilateral right to terminate the contract before of the expiry); and
- structured deposits that incorporate a structure that makes it difficult for the *Customer* to understand the cost associated with exit before maturity (including, for example, structured deposits where an exit fee is not a fixed sum, structured deposits where an exit fee it is not a fixed sum for each month remaining until the agreed deadline, structured deposits where an exit fee is not a percentage of the amount initially invested).

### *Confidential Information*

This refers to any confidential information relating to both the business of a company, whether having listed or unlisted *Financial Instruments*, which represents a *Sensitive Issuer*, and concerning facts or circumstances which are not publicly available, and particularly relevant from the organisational, economic, financial and strategic point of view, or relevant for the performance of the company, as





well as the *Financial Instruments* issued by the *Sensitive Issuer*. *Confidential Information* on the *Financial Instruments* and related *Issuers* is classified into two categories, in accordance with the provisions actually applicable to them:

- confidential information related to *Issuers* falling within the scope of Community regulations governing market abuse that – even though not having all the characteristics, in terms of precision and/or price sensitivity to be defined as *Inside information* pursuant to Article 7 of the *MAR* – is relevant as it may in any case give rise to conflict-of-interest situations;
- confidential information that – even though having all the characteristics of precision and/or price sensitivity to be considered as *Inside Information* under Article 7 of the *MAR* – cannot be considered to be *Inside Information* as it concerns *Issuers* that do not fall within the scope of application of the EU provisions on market abuse, but for which the consequences in terms of sanctions in case of unlawful use could be comparable to what is set out under the *MAR* and the *Consolidated Finance Act* with respect to market abuse<sup>15</sup> or those referring to the *Issuers* who – even though not even having the characteristics of precision and/or price sensitivity – could give rise to a conflict-of-interest situation.

#### *Contributing input data*

This refers to providing any *input data* not readily available to an administrator, or to another person for the purposes of passing to an *Administrator*, that is required in connection with the determination of a *Benchmark* and is provided for that purpose.

#### *Contributor (to a Benchmark)*

The natural or legal person *contributing input data*.

#### *Corporate broker*

This refers to a person who knows the financial markets and who, based on an agreement with the *Issuer* promotes initiatives aimed at raising interest among *Investors* for the securities of the *Issuer*, also through the publication of *Research*, and who can trade on his/her own account to promote the liquidity of instruments issued by companies.

#### *Corporate finance services and activities*

The *Customer* relationship management activity includes, by way of example, the services regarding:

- investment banking transactions (advisory, arranging, origination, transactions addressing public savings – such as IPO, OPV, OPVS, OPA, etc. -, M&A);
- acquisition and management of *Shareholdings* (including private equity and merchant banking transactions);
- structured finance transactions, transactions connected to debt restructuring or the overhaul of companies in a crisis and, in general, the provision of corporate banking products and services, including ordinary loans and loans linked to extraordinary transactions and leasing and factoring transactions.

#### *Corporate officers*

These are members of the Management board or the Managing Director and CEO or the Chairman with operating powers.

#### *Creditor (“Lender”)*

A person or entity that lends funds to an enterprise or individual for a specific period of time as long as the debtor undertakes to repay the loan. The terms of the loan are represented in a contract signed by the parties.

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<sup>15</sup> For example, the information regarding issuers listed in countries in the *European Union*: it is understood that the abuse of information regarding this type of issuers, in addition to pertaining to the cases of conflict of interest, could be punished by the regulations of the country where the relevant issuers are listed (e.g. United States, Canada, Australia, Japan), with afflictive legislation that is comparable to the one applied in Italy to the abuse of *Inside Information*.



#### *Customer (or Customers)*

The *Customer* is a *Person* to whom the company provides *Investment services and activities* and/or *Ancillary services* or the distribution of *Insurance-based investment products*.

#### *Input Data (relating to a Benchmark)*

This refers to the data in respect of the value of one or more underlying assets, or prices, including estimated prices, quotes, committed quotes or other values, used by an *Administrator* to determine a *Benchmark*.

#### *Dealing on own account*

This refers to the activity involving the buying and selling of *Financial Instruments*, as a direct counterparty.

#### *Direct Participant*

An *undertaking participating in a clearing and guarantee system that is responsible for meeting the financial obligations to the central counterparty arising from its participation*.

#### *Directional Position*

This refers to the holding of a *Financial Instrument* or a combination of *Financial Instruments* the total value of which changes in line with the market value of the *Financial Instrument* held or, in the case of combinations, which include also derivative *Financial Instruments*, of the underlying *Financial Instrument*.

The *Directional Position* is deemed to be long if its value increases as that of the *Financial Instrument* held or that of the underlying *Financial Instrument* increases, in the case of combinations which include derivative *Financial Instruments*, and vice versa.

The *Directional Position* is deemed to be short if its value decreases as that of the *Financial Instrument* held or of the underlying *Financial Instrument* increases, in the case of combinations which include derivative *Financial Instruments*, and vice versa.

To calculate the *Directional Position*, please refer to the rules set out by (EU) Regulation no. 236/2012 and (EU) Delegated Regulation no. 918/2012 of the Commission of 5 July 2012, supplementing (EU) Regulation no. 236/2012 of the European Parliament and the Council, relating to short-selling and certain aspects of derivative contracts relating to hedging against the risk of default by the *Issuer* (credit default swap), as regards the definitions, calculation of net short positions, hedged positions in credit default swaps on sovereign issuers, notification thresholds, liquidity thresholds for the suspension of restrictions, significant decreases in the value of *Financial Instruments* and adverse events.

#### *Delegated Regulation on Recommendations*

This refers to (EU) Regulation no. 2016/958 of the European Commission of 9 March 2016 supplementing (EU) Regulation no. 596/2014 of the European Parliament and of the Council concerning the technical regulatory standards on the technical provisions for the correct presentation of investment *Recommendations* or *Other* information recommending or advising an investment strategy and for the disclosure of particular interests or reporting conflicts of interest.

#### *Distributor*

This refers to a firm that offers and/or sells *Financial products* of a manufacturer that is a firm that manufactures an investment product, including the creation, development, issuance or design of that product; *Distributor* can be identified as a PBZ Group company or a third party.

#### *Durable medium*

This refers to any instrument which

- a) enables the *Customer* to store information addressed personally to him/her in a way accessible for future reference for an adequate period of time and
- b) which allows the unchanged reproduction of the information stored.



### *Eligible Counterparty*

This refers to the *Customer* as defined by Capital Market Act (Official Gazette, No 65/18, 17/20, 83/2021, 151/2022) and Directive 2014/65/EU of the European Parliament and of the Council (MiFID II)

### *Grey Market*

This refers to the market phase which runs from the date an issue is launched on the main telematic circuits (Bloomberg, Reuters, etc.) to the phase of the first settlement (also known as 'closing') when the securities are delivered by the *Issuer* in exchange for the payment of the issue price by the parties taking part in the placement syndicate.

### *European Union*

A supranational organisation borne following the Maastricht Treaty of 7 February 1992, which currently comprises 27 States: Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Czech Republic, Romania, Slovakia, Slovenia, Spain, Sweden, Hungary.

### *Execution venue*

This refers to a *Regulated market*, *Multilateral Trading Facilities (MTF)*, *Organised Trading Facilities (OTF)*, a *Systematic Internaliser*, a *Market Maker* or else a *Dealer on own account*, as well as an equivalent execution venue of a non-EU country.

### *Financial Instruments*

These refer to:

- a) **Transferable securities**, that may be traded in capital markets, including, for example:
  - company shares and other shares equivalent to shares of companies, partnerships or other persons and share deposit certificates;
  - bonds and other debt securities, including depositary receipts in respect of such securities;
  - any other normally negotiated security which allows to purchase or sell the securities indicated in the points above;
  - any other security usually involving cash settlement determined with reference to securities indicated in the preceding paragraphs, to currency, interest rates, returns, commodities, indices or measures
- b) **Money market instruments**, namely, categories of instruments normally traded in the money market, including, for example:
  - treasury bonds;
  - deposit certificates;
  - commercial bills;
- c) **Units of a Collective Investment Undertaking (UCITS);**
- d) **Derivatives:**
  - option contracts, futures, swaps, forward rate agreements and other derivative contracts related to securities, currencies, interest rates or yields, or to other derivatives, financial indices or financial measures which can be settled by physical delivery of the underlying or by paying the spread in cash;
  - option contracts, futures, swaps, forward rate agreements and other derivative contracts related to commodities which are settled by paying the spread in cash or may be settled in cash at the option of one of the parties, excluding those cases where such option is the result of a breach or other event which causes the termination of the contract;
  - options, futures, swaps, and derivative contracts relating to commodities that may be settled physically and that are traded on a Regulated Market and/or on a Multilateral Trading Facility (MTF);



- options, futures, swaps, forward contracts and other derivative contracts relating to commodities that may be settled physically, other than those listed in item f), that do not have commercial purposes and that have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- derivatives for the transfer of credit risk;
- financial contracts for differences (“CFDs”);
- option contracts, futures, swaps, forward rate agreements and other derivative contracts related to weather variables, transport tariffs, issue quotas, inflation rates or other official economic statistics which are settled by paying the spreads in cash or may be settled in cash at the option of one of the parties, excluding those cases where such right derives from a breach or other event that causes the termination of the contract, as well as other derivative contracts related to assets, rights, obligations, indices and measures, other than those indicated in the paragraphs above, having the same characteristics as other derivative Financial Instruments, considering inter alia, if they are traded on a Regulated Market or on Multilateral Trading Facilities, if they are offset and executed through recognised clearing houses or if they are subject to regular margin calls.
- emission allowances consisting of any unit recognised for compliance with the requirements of Directive 2003/87/EC (emission trading scheme).

#### *Financial Instruments listed or pending listing in the European Union*

They refer to the *Financial Instruments* of *Issuers* who have requested or authorised the admission of their *Financial Instruments* for trading on a *Regulated Market* in a member state of the *European Union*, or in the case of an instrument traded only on an *MTF* or an *OTF*, have authorised the trading of their *Financial Instruments* on an *MTF* or an *OTF* or have requested the admission of their *Financial Instruments* to trading on an *MTF* in a member state of the *European Union*.

#### *Financial products*

These refer to *Financial Instruments* and any other form of financial investment; bank or postal deposits not represented by *Financial Instruments* do not constitute *Financial Products*, except for structured deposits that fall within the definition of *Complex Financial Products*.

#### *Financial products issued by insurance companies*

These refer to products as defined by the Insurance Act.

#### *IDD Legislation*

These refer to:

- Directive (EU) 2016/97 of the European Parliament and the Council of 20 January 2016 on insurance distribution;
- Regulation (EU) 2017/2359 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regards to information obligations and the applicable rules of conduct for the distribution of Insurance-based investment products.
- Regulation (EU) 2017/2358 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regards to requirements on product governance and control for insurance companies and the distribution of Insurance-based investment products.

and related national implementation provisions pursuant to:

- Insurance Act (Official Gazette 30/15, 112/18, 63/20, 133/20, 151/22)

#### *Inside Information*

This refers to:

- a) any information of a precise nature which has not been made public, relating, directly or indirectly, to one or more *Issuers of Financial Instruments listed or pending listing in the European Union*, or to one or more *Financial Instruments listed or pending listing in the European Union*, and which, if it were made public, could have a significant effect on the prices of such *Financial Instruments*



*listed or pending listing in the European Union or on the prices of the related derivative Financial Instruments;*

- b) as regards commodity derivatives, any information of a precise nature which has not been made public, relating, directly or indirectly, to one or more of said derivatives or relating directly to the related spot commodity contract, and which, if made public, could have a significant effect on the prices of such derivatives or on the related spot commodity contract, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with the legal or regulatory provisions of the *European Union* or national level, market rules, contracts, practices or customs on the relevant commodity derivative markets or spot markets;
- c) as regards emission allowances or auctioned products, any information of a precise nature which has not been made public, concerning, directly or indirectly, one or more of such instruments, and which, if made public, could have a significant effect on the prices of said instruments or on the prices of related derivative *Financial Instruments*;
- d) in the case of persons charged with the execution of orders relating to *Financial Instruments*, it also refers to the information transmitted by a *Customer* and relating to the pending orders for the *Financial Instruments* of the *Customer*, with a precise nature relating, directly or indirectly, to one or more issuers or one or more *Financial Instruments* and which, if made public, could have a significant effect on the prices of such *Financial Instruments*, on the price of related spot commodity contracts or on the price of related derivative *Financial Instruments*.

For the purposes of the previous paragraphs a), b), c), and d), information is considered to be of a precise nature if it refers to a series of existing circumstances or circumstances which may reasonably be expected to come into existence either or an event that has occurred or which may reasonably be expected to occur, and if such information is specific enough to allow conclusions to be drawn on the possible effect of said series of circumstances or said event on the prices of the *Financial Instruments* or on the related derivative *Financial Instrument*, the related spot commodity contracts or the related auctioned products based on the emission allowances. In this regard, in the case of an extended process that is intended to put into effect or determine a specific situation or event, said future situation or future event, as well as any intermediate steps of said process that is related to the occurrence or cause of the situation or future event, may be considered to be information of a precise nature.

An intermediate step in an extended process is considered to be *Inside Information* if it satisfies the criteria established by this definition of *Inside Information*.

For the purposes of the previous paragraphs a), b), c) and d), any information which, if made public, could have a significant effect on the prices of the *Financial Instruments*, the derivative *Financial Instruments*, the related spot commodity contracts or the auctioned products based on emission allowances, is an information which a reasonable *Investor* could use as part of the basis of his/her investment decisions.

In the case of participants in the emission allowance market with aggregated emissions or rated thermal input equal to or less than the threshold established by Article 17, paragraph 2, second subsection of the *MAR*, information about their physical operations is considered as not having any significant effect on the price of emission allowances, of auctioned products based thereon or of derivative *Financial Instruments*.

#### *Insider List*

This refers to register of persons who have access to *Inside Information* established pursuant to Article 18 of the *MAR*.

#### *Insurance-based investment products*

This refers to products as defined by the Insurance Act.

#### *Intesa Sanpaolo Group*

This refers to the economic Group headed by Intesa Sanpaolo.

#### *Investment advice*

This relates to the provision of personal recommendations to a *Customer*, upon the latter's request or upon initiative by the *Service* provider, with regard to one or more transactions concerning a given *Financial Instrument*.



The recommendation is personal when it is presented as suitable for the Customer or is based on the characteristics of the Customer. A recommendation is not a personal recommendation if it is issued through distribution channels or to the public.

#### *Investment company*

Refers to a company whose occupation or habitual activity consists of providing one or more *Investment Services* to third parties and/or carrying out one or more *Investment Activities* on a professional basis.

#### *Investment services and activities (or Investment services)*

These services are defined in Capital Markets Act and Directive 2014/65/EU of the European Parliament and of the Council (MiFID II) and refer to the following:

- 1) reception and transmission of orders in relation to one or more *Financial Instruments*;
- 2) execution of orders on behalf of customers;
- 3) trading on own account;
- 4) portfolio management;
- 5) investment advice;
- 6) Subscription and/or placement of *Financial Instruments* with firm commitment underwriting or standby commitment to the Issuer;
- 7) placement of financial instruments without firm or standby commitment to the Issuer;
- 8) management of multilateral trading facilities;
- 9) management of organised trading facilities.

For the purposes of these Rules, the definition of *Investment services and activities* includes the provision of the *Collective portfolio management service*.

#### *Investor*

This refers to a natural or legal person who/which is offered or supplied with the *Collective portfolio management service* (outside the cases reported in italics, an investor is any party involved in the provision of *Services*) or *Marketing of Collective Investment Undertakings*.

#### *Issuer/Issuers*

This is intended to be a legal entity governed by public or private law, which issues or proposes to issue *Financial Instruments* which, in the case of certifications representative of *Financial Instruments*, correspond to the issuer of the *Financial Instrument* represented.

#### *Lead Manager*

This refers to the person who has been engaged by the *Issuer* to study the characteristics of an issue that may be well received by the market (especially in terms of price, coupon, quantity) and to organise a syndicate of intermediaries (co-lead managers or managers) that may subscribe (or underwrite) and/or distribute them to professional investors.

#### *Limited Information List*

This refers to the list established on a voluntary basis as a tool to monitor:

- *Confidential information* relating to *Other Issuers*;
- *Inside Information* relating to *Other Issuers* where the Bank with possession of the information does not operate *in the name or on their behalf* of the *Other Issuers*, that is to say in the event that the Bank does not act as an intermediary appointed by *Other Issuers*, but acts, for example, as the counter-party of *Other Issuers* in a transaction.

The *Limited Information List* allows for the tracking of persons (employees, company representatives, any external persons operating *in the name or on behalf* of a *Group Company*, persons belonging to other *Group companies*) who have access to the aforementioned information.

#### *Liquidity provider*

The person who, on the basis of a contract with the *Issuer* operates in order to provide liquidity to trading, allow regular listings and avoid price fluctuations that are not in line with the market trend.



### *Listing agent*

This means the intermediary responsible for assisting an *Issuer* company with the listing process, guaranteeing the reliability of the business plan and facilitating the contacts with analysts and investors.

### *Lists*

They refer to collectively the *Watch List*, the *Limited Information List*, the *Insider List* and the *Restricted List*, provided for in these Rules.

### *Main Distributor*

This refers to a *Group Company* that under specific distribution agreements acts as exclusive *Distributor* of *Collective Investment Undertakings* of the *Group* for a specific market.

### *Main Reporter Unit*

This refers to the business unit of a *Group Company* that takes part, as the main reporter, in a *Sensitive situation* and that has the responsibility to report it in the *Watch List*.

### *Management of multilateral trading facilities*

This refers to the management of multilateral facilities which bring together – within the system and based on non-discretionary rules - multiple third-party buying and selling interests in *Financial Instruments*.

### *Management of organised trading facilities*

These are multilateral systems other than a *Regulated Market* or a *Multilateral Trading Facility* that bring together multiple third-party buying and selling interests in bonds, structured financial instruments, issue quotas and derivatives.

### *Manufacturer*

This refers to an intermediary that creates, develops, issues and/or designs financial instruments or that provide advice to corporate issuers in the performance of these activities.

### *Market Abuse Regulation or MAR*

This refers to (EU) Regulation no. 596/2014 of the European Parliament and the Council of 16 April 2014 concerning market abuse (Market Abuse Regulation), which repeals Directive 2003/6/EC of the European Parliament and the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission.

### *Market Maker*

This refers to a person who offers on an ongoing basis, to be willing to deal on own account by buying and selling *Financial Instruments* at prices defined by them.

### *Marketing of Collective Investment Undertakings*

This refers to the distribution of units or shares of *Collective Investment Undertakings*, whether established by the same company in charge of the marketing activity or by third party management companies.

### *MiFID II*

This refers to Directive 2004/39/EC of the European Parliament and of the Council, of 15 April 2004, relating to markets of Financial Instruments, which amends Directive 2000/12/EC and Directive 2011/61/EU.

### *MiFID Regulation*

These refer to the following regulations, subsequently amended and supplemented:

- this refers to Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, relating to markets of Financial Instruments, which amends Directive 2002/92/EC and Directive 2011/61/EU;



- Delegated Directive (EU) 2017/593 of 7 April 2016;
- Delegated Regulation (EU) 2017/565 of 25 April 2016;
- Regulation (EU) no. 600/2014 of the European Parliament and of the Council, of 15 May 2014, relating to markets of Financial Instruments, which amends Regulation (EU) no. 648/2012;
- Regulation (EU) no. 648/2012 of the European Parliament and Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;
- Regulation (EC) no. 1287 of 10 August 2006;  
and related national implementation provisions pursuant to Capital Market Act.

The ESMA and HANFA or other local authorities' guidelines, as amended and supplemented from time to time, are also relevant in terms of interpretation and application.

#### *MiFID-scope companies*

These refer to Companies of the *Intesa Sanpaolo Group* which provide *Investment services and activities* and *Ancillary services* in the *European Union* and which, pursuant to the specific implementing provisions of *MiFID II*, are required to adopt the "Conflict of interest management Group Rules".

For the purposes of these Rules, the definition of *MiFID-scope companies* includes SGRs (asset management companies), investment companies with variable capital (SICAVs) and investment companies with fixed capital (SICAFs).

#### *Multilateral Trading Facility (MTF)*

This refers to the multilateral facility (Multilateral Trading Facility) managed by an *investment firm* or a market manager which bring together – within the facility and based on non-discretionary rules - multiple third-party buying and selling interests in *Financial Instruments* in a way that results in contracts.

#### *Other information that recommends or advises on an investment strategy*

The following is considered information:

- a) processed by an independent analyst, an investment company, a credit institution, other persons whose main activity entails the processing of *Recommendations on investments*, or a natural person who works for them on the basis of a work contract or else, who makes, directly or indirectly, a specific investment proposal regarding a *Financial Instrument* or an *Issuer*, or
- b) processed by other persons besides those listed under letter a), who directly propose a specific investment decision relating to a *Financial Instrument*.

#### *Organised Trading Facilities (OTF)*

This refers to a multilateral facility (Organised Trading Facilities) other than a *Regulated Market* or a *Multilateral Trading Facility* that bring together multiple third-party buying and selling interests in bonds, structured *Financial Instruments*, issue quotas and derivatives in a way that results in contracts.

#### *Other Investments*

Credits and any other type of product/investment other than those of a financial nature.

#### *Other Issuer/Other Issuers*

This refers to *Sensitive Issuers* other than the Bank or PBZ Group companies.

#### *Person*

This refers to either a natural or a legal person.

#### *Persons closely associated to the Relevant Person*

Intended to mean:

- a) the "persons with whom the *Relevant Person* has a family relationship", namely:
  - the spouse of the relevant person or other partner of that person considered by national law as equivalent to a spouse;
  - dependent children of the *Relevant Person*;





- any other relative of the *Relevant Person* who has shared the same household as that person for at least one year on the date of the personal transaction concerned;
- b) the "persons with whom the *Relevant Person* has close links" or the situation in which two or more natural or legal persons, are linked by:
  - participation in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an undertaking;
  - 'control' which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in Article 22(1) and (2) of Directive 2013/34/EU, or a similar relationship between any natural or legal person and an undertaking, any subsidiary undertaking of a subsidiary undertaking also being considered to be a subsidiary of the parent undertaking which is at the head of those undertakings;
  - a permanent link of both or all of them to the same person by a control relationship;
- c) the persons in relation to whom the *Relevant Person* has a material, direct or indirect interest in the result of the transaction other than the payment of fees or commissions for execution (including, for example, joint holders, holders of personal account where the *Relevant Person* has a proxy to operate and the companies for which the *Relevant Person* holds corporate positions with operational powers).

#### *Persons related to a Relevant Person*

This refers to:

- a) *Persons closely related to the Relevant Person*;
- b) Entities where the *Relevant Person* holds *Executive Positions*.

#### *Placement/Placing*

This refers to both the subscription and/or placement service with firm commitment underwriting of *Financial Instruments* or standby commitment of *Financial Instruments* to the *Issuer* and the Placement service without firm or standby commitment to the *Issuer*.

Without prejudice to the application of the provisions of Croatian and European legislation in relation to cases in which, in the primary market, *Investment companies* and credit institutions distribute *Financial Instruments* for their issue, for the purposes of these Rules the cases in which a *MiFID-scope subsidiary* distributes, sells or offers *Financial products* issued by itself also fall under this definition.

#### *Placement products*

For the duration of the placement, these refer to:

- the *Financial Products* and the *Investment Services* issued/delivered/rendered by the *MiFID-scope company* and offered by it for subscription or sale or placed/distributed;
- *Financial Products* and *Investment services* issued/delivered/rendered by *Intesa Sanpaolo Group* companies and placed/distributed by the *MiFID-scope company*;
- *Financial Products*, excluding euro zone government bonds, and the *Investment Services* issued/delivered/rendered by intermediaries/*Issuers* unrelated to the *Group* and placed/distributed by the *MiFID-scope company*.

#### *Portfolio management*

This refers to the management, on a discretionary and personalised basis, of investment portfolios, which include one or more *Financial Instruments* carried out as part of a mandate conferred by *Customers*.

#### *Professional customer*

Professional customer as defined in Capital Markets Act and Directive 2014/65/EU of the European Parliament and of the Council (MiFID II).

#### *Prospectus Regulation*

- As regards these Rules, these refer to the provisions concerning prospectuses pursuant to: Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on



- the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
- Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004;
  - Resolution No. 21016 of 24 July 2019, which replaced Directive 2003/71 of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading *Financial Instruments*;
  - *Issuers' Regulation*.

#### *Reception and transmission of orders regarding one or more Financial Instruments*

This refers to an investment service that entails the receipt and transmission of orders relating to one or more *Financial Instruments*. It includes arrangements to bring together two or more investors thereby bringing about a transaction between them.

#### *Recommendations*

They refer to *Recommendations on investments* and *Other information that recommends or advises on investment strategies*. Recommendations may be personal – when it is presented as suitable for the Customer or is based on the characteristics of the Customer, provided within Investment Advice – and non-personal, when it contains general advice not targeting specific Customers (as in Research).

#### *Regulated markets*

This refers to a multilateral system administered and/or operated by a market manager, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in *Financial Instruments* in a way that results in a contract related to the *Financial Instruments* admitted to trading under its rules and/or systems, and which is authorised and functions regularly and pursuant to Part Two, Title II, Chapter 3. of the *Capital Market Act*.

#### *Regulations on the presentation of investment recommendations*

For the purposes of these Rules, they refer to the provisions concerning the presentation of investment recommendations pursuant to:

- to Delegated Regulation (EU) 2017/565 of 25 April 2016;
- the (EU) Regulation no. 596/2014/EU of the European Parliament and of the Council of 16 April 2014 concerning market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission;
- (EU) *Delegated Regulation on Recommendations* no. 2016/958 of the European Commission of 9 March 2016, supplementing (EU) Regulation no. 596/2014 of the European Parliament and the Council concerning the technical regulatory standards on the technical provisions for the correct presentation of investment *Recommendations* or *Other* information recommending or advising on investment strategies and the disclosure of specific interests or reporting conflicts of interest;
- *Issuers' Regulation*;
- *Intermediaries' Regulation*.

#### *Related Financial Instrument*

This refers to one of the *Financial Instruments* specified below, including *Financial Instruments* that are not admitted to trading or traded in a trading venue, or for which admission has not been requested for trading on a trading venue:

- a) contracts or right to subscribe to, acquire or sell securities;
- b) derivative *Financial Instruments* on securities;
- c) if the securities are convertible or exchangeable debt instruments, the securities that the debt instruments can be converted into or exchanged with;



- d) instruments issued or guaranteed by the Issuer or the guarantor of the securities, whose market price can significantly influence the price of the securities or vice versa;
- e) when the securities are securities equivalent to shares, the shares represented by such securities as well as all other securities equivalent to said shares.

#### *Relevant Persons*

These are subjects which belong to one of the following categories:

- members of the Bank's corporate bodies (Management Board, Supervisory Board, Audit Committee, Credit Committee and other relevant bodies of the Bank)
- investors who have a *Relevant Stake* in the capital of the Bank
- employees of the Bank involved in processes investment/ancillary services and investment activities provided and performed by the Bank, as well as persons who have access to inside information through the exercise of their employment, profession or duties (brokers, investment advisors, financial analysts and other)
- a tied agent of the Bank, a person in managerial position or person with equity holdings in any tied agent of the Bank or an employee of a tied agent of the Bank,
- any other natural person whose services are placed at the disposal and under control of the *MiFID-scope company*, or a tied agent and who is involved in the provision of investment services and activities and ancillary services,
- all other persons who have obtained inside information relating to one or more financial instruments / issuers, if they know or ought to know that the information is inside information (e.g. employees of the companies who execute work contracts with the Bank in the Bank's premises or on some medium containing inside information, and lawyers, auditors, consultants, etc.)
- persons discharging managerial responsibilities within the Bank who have access to inside information and / or are engaged in provision of investment services,

#### *Relevant Stake*

This refers to the *Stake* in an *Issuer* of listed shares in Italy or in the *European Union*, with Italy as the Member state of origin of more than 3%; if the issuer is an SME, this limit is equal to 5% of the share capital. In the case of other *Issuers*, the limit is equal to 10% of the share capital.

#### *Restricted List*

This refers to the list of restrictions on trading in *Financial Instruments* sent to Market-side structures, and/or applicable to the publication of *Recommendations*. The purpose of the restrictions is to prohibit specific activities that might violate internal rules and procedures, relevant laws or regulations, or might cause an actual or apparent conflict of interest situation or misuse of *Inside Information* or *Confidential Information*, including *MNPI*. Such restrictions related to *Other Issuers* and/or *Financial Instruments* are maintained updated and communicated to the relevant structures by the relevant Compliance function.

#### *Retail customer or retail investor*

This refers to *Customers* as defined with Capital Markets Act and Directive 2014/65/EU of the European Parliament and of the Council (MiFID II)

#### *Securities financing transactions*

These refer to an instance of stock lending or stock borrowing or the lending or borrowing of other *Financial Instruments*, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

#### *Senior role*

By way of example, this refers to the role covered by an intermediary that operates as *Lead Manager* (or co-lead manager) in a *Placement*, as mandated lead arranger within a structured finance transaction, as *Listing agent* or Global Coordinator in a transaction addressing public savings.



### *Sensitive issuers*

These refer to:

- a) *Issuers* who have requested or authorised the admission of their *Financial Instruments* to trading on a *Regulated Market* in a member state of the *European Union*;
- b) *Issuers* who authorised the trading of their *Financial Instruments* on *MTFs* or *OTFs* of a member state of the *European Union*;
- c) *Issuers* who have asked for their *Financial Instruments* to be admitted to trading on *MTFs* in a member state of the *European Union*;
- d) *Issuers* with *Financial Instruments* admitted to trading or in respect of which a request was filed for admission to trading on a non-EU market recognized by HANFA;
- e) *Issuers* of *Financial Instruments* whose securities are traded on *Systematic Internalisers* managed by the companies of the *Intesa Sanpaolo Group*.

*Sensitive issuers* also refer to:

- the companies that do not have instruments listed on *Regulated markets* or circulated or traded on other markets comparable to the latter or on *MTFs* or on *OTFs* or on *Systematic Internalisers* but which are controlled by or which control a *Sensitive Issuer* or are owned in an eligible manner<sup>16</sup> by a *Sensitive Issuer*;
- the companies/joint ventures subject to the joint control of one or more *Sensitive Issuers*;
- the special purpose vehicles/entities (SPVs/SPEs) whose Sponsor/Originator is a *Sensitive Issuer*;
- the participants in the issue quota market, with regard to *Inside Information* relating to the issue quotas deriving from actual transactions on the aforementioned participants in the issue quota market;
- any auction platform, auctioneer or auction supervisor relating to issue quota auctions or other related products put up for auction, held in accordance with (EU) Regulation no. 1031/2010;
- the *Issuers* whose *Financial Instruments* are admitted to trading on an SME growth market.

### *Sensitive situations*

This refers to transactions, proposal for transactions or business relations that concurrently meet the following requirements:

- are related to:
  - *Sensitive Issuers* or
  - companies that are expected to become *Sensitive Issuers* as a result of a specific event (e.g., companies that do not have *Financial Instruments* already traded on a *Regulated Market*, *MTF*, or *OTF*, but whose *Financial Instruments* are subject to an application for admission or authorization to trade on a *Regulated Market*, *MTF*, or *OTF*);
- may originate potential conflicts of interest situations for which a prior analysis/management is envisaged for the Bank, and/or constitute or give access to *Inside Information* or *Confidential Information* such as to generate registration on the *Lists*;
- meet the quantitative and/or qualitative requirements identified in the applicable internal regulations.

### *Services*

These refer to *Investment services and activities* and *Ancillary Services*.

### *Shareholdings*

These are shares, quotas and other *Financial Instruments* which entitle the holder to administrative rights.

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<sup>16</sup> In this document, a company is considered to be owned in an eligible manner by a Sensitive Issuer when it meets both conditions under points a) and b):

- a) the Sensitive Issuer holds 10% or more of the share capital;
- b) the value of the holding of the Sensitive issuer represents at least 10% of its consolidated shareholders' equity.



### *Significant role*

This refers to the performance of a significant position within a company as the Chief Executive Officer, General Manager, Chief Financial Officer or other figures that constitute significant representatives and who are involved in the governance of the company.

### *Specialist*

This means the operator that undertakes to guarantee the liquidity of one or more *Financial Instruments* by making buying and selling proposals on an ongoing basis.

### *Sustainability preferences*

Pursuant to the Delegated Regulation (EU) 2017/565, as amended by the Delegated Regulation (EU) 2021/1253, means a Customer's or potential Customer's choice as to whether and, if so, to what extent, one or more of the following *Financial Instruments* shall be integrated into his or her investment:

- a) a *Financial Instrument* for which the Customer or potential Customer determines that a minimum proportion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council (\*);
- b) a *Financial Instrument* for which the Customer or potential Customer determines that a minimum proportion shall be invested in sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council;
- c) a *Financial Instrument* that considers principal adverse impacts on sustainability factors where qualitative or quantitative elements demonstrating that consideration is determined by the Customer or potential Customer.

### *Systematic Internaliser*

This refers to the *Investment Company* which, on an organised, frequent and systematic basis, deals on its own account by executing *Customer* orders outside of a *Regulated Market*, *Multilateral Trading Facility* or *Organised Trading Facility* without managing a multilateral system. The frequent and systematic way is measured by the number of OTC trades on *Financial Instruments* carried out on own account by executing the orders of the *Customers*. The substantive way is measured by the size of the OTC negotiations carried out by the subject on a specific *Financial Instrument* in relation to the total trades made on the *Financial Instrument* by the same subject or within the *European Union*.

### *User (of a Benchmark)*

This refers to the *MiFID-scope company* that performs at least one of the following activities:

- issuance of a financial instrument which references an index or a combination of indices;
- determination of the amount payable under a financial instrument or a financial contract by referencing an index or a combination of indices;
- being a party to a financial contract which references an index or a combination of indices;
- providing a borrowing rate as defined in point (j) of Article 3 of Directive 2008/48/EC calculated as a spread or mark-up over an index or a combination of indices and that is solely used as a reference in a financial contract to which the creditor is a party;

measuring the performance of an investment fund through an index or a combination of indices for the purpose of tracking the return of such index or combination of indices, of defining the asset allocation of a portfolio, or of computing the performance fees.

### *Watch List*

This refers to the list of *Sensitive situations* that could give rise to *Conflicts of interest* situations and/or access to *Inside* and *Confidential* Information.