



**CONFLICT OF INTEREST
MANAGEMENT
POLICY**

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Conflict of Interest Management Policy

INTRODUCTION

Article 1

1.1 Privredna Banka Zagreb Plc. (hereinafter: Bank or PBZ) acts as the issuer of financial instruments and 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 Conflict of Interest Management Policy (hereinafter: The Policy), aimed at internalisation of the obligations defined by compulsory regulations and group regulations of the parent bank.

1.2 The Bank carries out a broad range of activities which may give rise to significant conflicts of interest between and among the Bank (and / or members of PBZ Group), the Relevant Persons of the Bank and its Customers, or between Customers of the Bank, when providing Investment services and activities, ancillary services or a combination of the two.

The Bank applies and maintains the Policy to identify and potential and actual conflicts of interest, which is formulated taking account of the nature, size and complexity of its activities and of the circumstances which may give rise to conflicts of interest, also taking into account the structure and activities of other PBZ Group members as well as to the activities carried out by the Relevant Persons.

1.3 The objectives of the Policy are:

- to identify the circumstances which generate or are likely to generate a conflict of interest that could seriously harm the interests of one or more Customers;
- to describe the organisational procedures and measures adopted to manage such conflicts of interest.

1.4 The Policy shall proportionally apply to PBZ group member companies which provide investment and / or ancillary services and perform investment activities.

BASIC PRINCIPLES OF CONDUCT

Article 2

2.1 Relevant persons' professional conduct shall be based upon objectives and general principles of business and professional conduct:

- Best interest of customers: When providing and performing investment services and activities and ancillary services, relevant persons are always obliged to put the best interests of their customers in the first place to act with required due diligence
- Responsibility in communication with customers: Relevant persons are obliged to supply complete and clear information to customers, and to warn them of the risks related to transactions in financial instruments or other financial arrangements
- Avoidance of conflicts of interest: Relevant persons are obliged to avoid situations that may represent or entail conflict of interest, and in the event of doubts about a certain situation,

or in case of knowledge or reasonable suspicion about particular activity that might cause conflict of interests, they are obliged to immediately report it (i) to their immediate superior officer and (ii) to the Compliance Department of the Bank

- Responsibility and transparency in personal transactions in financial instruments: Relevant persons should perform personal transactions in financial instruments, if any, in conformity with provisions of the valid regulation, this Policy and other internal regulations of the Bank governing personal transactions
- Cooperation with regulatory authorities: The Bank and relevant persons are obliged to cooperate with the regulatory institutions and to allow them access to information, documents and data they request within their scope of activity and legal powers, and in conformity with the Bank's regulations.

CIRCUMSTANCES CONSTITUTING CONFLICTS OF INTEREST

Article 3

3.1 Conflicts of interest represent each situation in which the Bank and/or relevant persons are not neutral and objective with respect to the conduct of their professional business activities, i.e. by making use of their specific position when providing and performing investment services and activities and ancillary services, they take professional and/or personal interests that compete with customers` interests. Conflicts of interest may originate between:

- interest of the Bank (and/or a PBZ Group member company) and/or a relevant person (or persons closely associated to them¹) on one side and interests of the Bank's customers on the other
- interests of various customers of the Bank.

3.2 The Bank and relevant persons are obliged, when providing and performing investment services and activities and ancillary services, to take account of the circumstances that may give rise to conflict of interest. When identifying conflicts of interest, the Bank shall, in principle, always consider the situations listed here below as circumstances constituting the conflict of interest:

- the Bank and/or relevant person may obtain a financial gain or avoid financial detriment at the customers` expense by making use of inside information,
- the Bank and/or relevant person have an interest in, or benefit from the outcome of a business deal performed for the customer or a transaction concluded for the account of the customer, which differs from customers` interests,
- the Bank and/or relevant persons have a financial or another motive for favouring the interests of one customer or a group of customers, thus causing damage to other customers` interests,
- the scope of activity of the Bank and/or relevant person is the same as the scope of activity of the customer,
- the Bank and/or relevant person have received or are going to receive an inducements or fee from a person other than the customer involved, for a business transaction performed for the customer, in the form of money, commodities or services, which is not regarded as customary fee or commission charged for concluding such a transaction.

3.3 In any case, the following transactions are prohibited:

- providing advisory services to several companies bidding for the acquisition of the same asset;

¹ See Annex 1 to the Policy for Terms and Definitions

- providing 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);
- providing 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 stake in these companies when a company of the Intesa Sanpaolo Group is the seller;
- providing advisory 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.

3.4 Besides the above mentioned circumstances, situations listed here below shall also be regarded as typical situations representing conflicts of interest:

- when the Bank and/or relevant person trades on own account in certain financial instruments, concurrently possessing inside information pertaining to the financial instruments subject to the transaction,
- when the Bank or a relevant person is tied, in terms of ownership, to persons who participate in the market competition with the customer and/or to the customer himself/herself,
- in case of an offer of financial instruments, which the Bank includes in the provision of investment advisory and portfolio management services, if the Bank and/or a relevant person are in possession of shares or other securities of equal importance that constitute a stake in the capital or membership rights of the customer's company,
- when the Bank provides investment advising or portfolio management services and simultaneously advises investments and/or invests in financial instruments issued by PBZ Group companies,
- if the Bank, when managing the portfolio, executes orders for the purchase of financial instruments for more customers, potential conflicts of interest may occur with respect to sequence, quantity and allocation of purchased financial instruments.

3.5 Detailed overview of situations that can represent potential conflict of interest (classified regarding specific investment / ancillary services and activities provided / performed by the Bank) can be found in Annex 2 to this Policy.

GENERAL PROVISIONS FOR MANAGING CONFLICTS OF INTEREST

Article 4

In addition to identifying the circumstances which generate or might generate a conflict of interest with regard to investment services and activities and ancillary services provided, the Policy has defined the main rules and the actions that need to be undertaken to manage such situations identified as potential conflict of interest and has defined procedures implementing other legal provisions or regulations, those deemed appropriate for managing the conflict-of-interest situations.

4.1 INFORMATION BARRIERS

Information Barriers (also called “Chinese Walls”) refer to 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 (referred to as the Corporate side) and those which provide Investment services and activities or Ancillary services to investors or financial markets (referred to as the “Market” side) and Research in order to guarantee that:

- the Market side structures or the structures in charge of drafting the Research 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 or the structures in charge of drafting the Research 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 and mutually unrestricted manner, preventing, in this way, any phenomenon of market abuse or conflict-of-interest situations to the detriment of the Customers;
- the Market side structures are separate from the structures in charge of drafting Research in order to prevent conflict-of-interest situations to the detriment of the Customers.

The Corporate side conventionally includes those organizational units which, for Corporate and SME Customers, Financial Institutions, Central and local public entities as well as enterprises and publicly-owned companies and entities:

- provide Corporate finance services and activities;
- are in charge of Customer relationship management;

The Corporate side also includes those Group structures which manage transactions involving the share capital of the Intesa Sanpaolo Group and own issues.

The Market side conventionally includes all Group structures which provide:

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

The following subjects as 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 implies that no organisational structure can perform activities included in the Corporate side or the Market side or Research at the same time. This general principle is always applicable with reference to Research, while it 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 subjects “above the wall in the strict sense” can also be managers who may be identified expressly within the Bank in special situations, in any case subject to the approval, on a case by case basis, of the Management Board and subject to the opinion of the Compliance function in charge of verifying that the request respects the limitations set 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.

Without prejudice to the segregation measures indicated above, where necessary for carrying out the activities undertaken for the Customers, contacts between the two sides of the Chinese wall are allowed, subject to the prior approval by the Compliance Division. These exchanges

must always be based on the "need to know" principle and must be properly documented and recorded.

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.

4.2 WATCH LIST AND ADDITIONAL MEASURES

The adoption of a mechanism to record (Watch List) and carry out a preliminary analysis of some categories of transactions referred to Sensitive Issuers ("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.

It is based on reports to Compliance function on the corporate/investment banking transactions and those relating to the management of holdings in respect of which the Bank possesses Inside or Confidential information or in any case information heralding potential conflicts of interest by the business structures which are part of the Corporate side of the Information Barriers, and represents one of the most important databases for the configuration of the register of conflicts of interest. More specifically, the Watch List is used to identify the following types of conflicts:

- conflicts regarding Customers: these are conflicts of interest which may arise in the provision of Corporate finance services / activities and investment and ancillary services / activities to the Customers due to the presence of other interests held the Bank and / or member of PBZ Group;
- 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 / activities and investment services / activities to Customers;
- holding Inside or Confidential Information: these are cases of asymmetrical information which may arise if the Bank learns 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 holdings, that fall within the above described categories, are reported at the time a confidentiality agreement is signed, or earlier if the transaction is most likely to be carried out and in any case before assuming formal commitments towards the Customer.

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 Bank possesses Inside or Confidential Information 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 sounding in which a MiFID-scope subsidiary has been asked to take part in. In those cases, the report must be promptly made and possibly before taking on formal commitments in relation to the aforementioned transactions if compatible with the execution procedures.

Compliance function assesses, on a case-by-case basis, the adoption of the required precautions provided for by legal provisions and internal regulations in force, which may entail reporting about the existing conflicts of interest to the Customers ("disclosure") and / or in applying compulsory or voluntary operating restrictions, communicated to the structures concerned on a durable medium and entered in the appropriate section of the Conflict of Interest Register.

In any case, additional precautions and measures can be proposed and implemented by Compliance function in charge of those cases where conflict-of-interest situations have been detected which could be seriously detrimental to the interests of the Customers, in which case they will be reported to the organizational units concerned by means of a durable medium.

4.3 INSIDER LIST AND RELEVANT PERSONS LIST

Pursuant to the provisions of art. 18 of the Market Abuse Regulation ("MAR"), and the internal act "Policy for management of Insider List and Relevant Persons List", the Bank maintains and promptly updates a register of persons who have access to Inside information and / or are involved in the processes pertaining to the provision of investment and ancillary services regarding:

- the Bank and PBZ Group member companies who are Issuers of Financial Instruments listed or pending listing in the European Union;
- Customers who are Issuers of Financial Instruments listed or pending listing in the European Union

Beside the specific mandatory recordings in the registers mentioned above, they may contain also the information relating to:

- certain types of Confidential Information, relating to Issuers of Financial Instruments that are not Financial Instruments listed or pending listing in the European Union;
- inside information regarding Issuers of Financial Instruments listed or pending listing in the European Union, but acquired as part of the transactions in which the Bank does not operate in the name or on behalf of the same Issuers.

4.4 CODE OF CONDUCT AND CODE OF ETHICS

In relation to the conflicts of interest associated with all employees, the Bank has adopted internal codes which, inter alia, provide for:

- rules on gifts, free-of-charges service and hospitality offered to managers and employees;
- rules of conduct applicable to relationships with Customers.

The aforementioned documents define the measures that may be adopted to manage the conflicts-of-interest situations which may arise as a result of the existing personal interests of the employees in the business-related contexts.

4.5 "GREY MARKET" OPERATIONS

To provide Customers with increased protection, the Bank has restricted trading of debt Financial Instruments (this refers to dealing on Banks own account, when the Bank acts as seller and customer as buyer) in Grey Market phase.

To this end, it is allowed to trade in the Grey Market phase only with following Financial Instruments:

- issued or guaranteed by Republic of Croatia (including domestic Government bonds);
- issued or guaranteed by an EU Member State or issued or guaranteed by public-purpose International Organisations whose members include one or more EU Member States (e.g. EIB);
- issued by the European Central bank.

In the event that a Customer requests a security other than those mentioned above, the organizational units communicating directly with the Customers shall reject the purchase order and explain to the Customer the reasons for such a refusal.

The trading restrictions referred to above do not apply to transactions carried out with Eligible Counterparties and with Professional Customers.

4.6 ADDITIONAL PROCEDURES FOR MANAGING CONFLICTS OF INTEREST

In addition to provisions of the Policy, the Bank may – dependant on the business model deployed – also adopt other internal acts which shall supplementally regulate obligations regarding provision of investment and ancillary services and investment activities and / or managing conflict-of-interest situations connected thereto. Provisions of these additional internal acts must be aligned with provisions of this Policy, ISP Group policies and procedured and regulatory provisions.

For example, having in mind type and scope of investment and ancillary services and investment activities provided, the Bank may internally regulate one or more of the following subject matters:

- Production and distribution of recommendations (including investment research and financial analysis)
- Product governance with respect to complex products for retail customers
- Provision of advisory services and other investment services and suitability assessment model
- Sale of financial products
- Order execution policy
- Inducements
- Other subject matters

SPECIFIC PROVISIONS FOR MANAGING CONFLICTS OF INTEREST

Article 5

Circumstances that may be deemed are conflicts-of-interest situations should be managed in a transparent and efficient way. To minimize the impact of such occurrences and to improve the managing capacity, the following measures, for example, may be undertaken:

- Bank's organisational units, providing and performing investment services and activities and ancillary services, should conduct their business separately and independently (such as investment advisory, trading for own account, corporate finance, financial analysis),
- ongoing and efficient supervision of the exchange of information among relevant persons included in activities incorporating a potential conflict of interest through the set up internal controls system, in case the data exchange results damaging to one or more customers
- recordkeeping of personal transactions of relevant persons
- transfer of employees to and / or from the organizational units providing the investment or ancillary services (or having regular access to price sensitive non-disclosed information pertaining to the listed issuers) is subject to prior approval by Compliance function
- organizational changes involving units included in the provision of the investment and/or ancillary services and the related business processes are subject to prior approval by the Compliance function
- observing the general principle to equally treat all customers from the same category (small or professional investors, qualified investors), relevant persons are obliged to protect the interests of all customers without discrimination, in conformity with the best business practice, and should not misuse the customers' lack of skills or ignorance of business practice with the aim of deriving non-pertaining benefit therefrom,
- that the immediate superior to the relevant person being in (potential) conflict of interest has discretionary power to exclude the relevant person involved from participating in the execution of the respective transactions,
- escalation contingency with regard to actions and decision-making in conducting business in the event that potential or existing conflict of interest is determined involving immediate superiors,
- the Bank shall establish and maintain such organisation measures that are focused on prevention and limitation of any person's inappropriate influence upon the way in which a relevant person renders investment services and performs investment activities
- removal of any immediate correlation between the income of relevant persons who are

primarily engaged in one business activity and the income or profit realized by other relevant persons who are primarily involved in some other business activity where the conflict of interest may arise in respect of such activities,

- periodic verification and, if required, revision of the internal control system adequacy regarding conflicts-of-interest subject matter.

PROVISION OF INFORMATION ON CONFLICT OF INTEREST

Article 6

- 6.1** The Bank shall provide to clients classified as Retail Customers (or potential clients to be classified as Retail Customers) and Investors with a description, in summarised form, of this Policy.
- 6.2** Upon request of clients classified as Retail Customers (or potential clients to be classified as Retail Customers) or Investors, the Bank shall provide further details on the Policy using a Durable medium, or the website, if the appropriate conditions are satisfied².
- 6.3** Regarding the production of Recommendations, the Bank should clearly and visibly indicate any relationship or situation that could reasonably be expected to compromise its integrity, including the interests or conflicts of interest of the person who produces the *Recommendation*, or the natural or legal person that works for it on the basis of a contract, including a contract of employment, or other, and who has taken part in producing the *Recommendation* with respect to the *Financial Instrument*, or the *Issuer* to whom the *Recommendation* directly or indirectly refers.
- Of particular importance is the disclosure of the significant *Holdings* held:
- a) by the Issuer subject to the Recommendation on the total shareholding capital issued by the persons producing the Recommendations;
 - b) by the persons producing the Recommendations on the total shareholding capital issued by the Issuer subject to the Recommendations.
- 6.4** Regarding the provision of Portfolio management service, regardless of the appropriateness of the measures adopted thus far, the Bank shall make a disclosure to Customers at the pre-contractual stage, thus informing them on the types of conflicts of interest that may occur in the provision of the service.

DISCLOSURE OF CONFLICT OF INTEREST

Article 7

- 7.1** In situations when the organisational and administrative measures adopted to manage conflicts of interest are not sufficient to hedge against the risk of harming the *Customer's* or *Investor's* interests with reasonable certainty, the Bank must clearly inform the *Customers* before acting on their behalf, of the general nature and/or sources of conflicts of interest, so that they may take an informed decision on the services provided to them, taking account of the context in which the conflict-of-interest situations occur.

² The conditions are deemed to be satisfied when:

- the use of the website is suitable to the context in which the relationship between the Bank and the *Customer* takes or will take place;
- the *Customers* expressly agrees to receive 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.

Also, where organisational and administrative measures have been taken to manage conflicts of interest, *the Bank* shall notify *Customers* of any conflict-of-interest situations which may take place in the production of *Recommendations* and the provision of the *Placement* service as well as the *Ancillary service* connected to the issue or placement of *Financial Instruments*, including the organisation and establishment of underwriting and placement syndicates.

- 7.2** The Bank must provide such disclosure to the customer on a durable medium, and it should contain sufficient data, so as to allow the customer to make informed decision on all relevant circumstances regarding provision of investment or ancillary services or activities in the context of which a conflict of interest has occurred.
- 7.3** The provisions of this article refer to distribution of financial instruments manufactured by the third parties through the branch network of the Bank (including units in UCITS funds).

NOTIFICATION TO COMPLIANCE FUNCTION

Article 8

- 8.1** In case a relevant person, during the performance of activities related to the provision of investment or ancillary services and investment activities, becomes aware of the circumstances qualifying as conflict of interest, this person is obliged to promptly notify his/her superior and Compliance function.
- 8.2** Managers of organizational units where conflict of interest has been identified are obliged to inform Compliance function thereof immediately.
- 8.3** Compliance function shall without delay examine all relevant circumstances and determine whether the conflict of interest has occurred.
- 8.4** In order to appropriately manage conflict-of-interest situations, Compliance function shall propose adequate measures. The manager of the relevant unit in which conflict-of-interest situation has been identified shall be in charge of implementing these measures (or his / her superior in cases where the conflict-of-interest situation relates to the manager).

REGISTER OF CONFLICTS OF INTEREST

Article 9

- 9.1** Compliance function shall have 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.
- 9.2** 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.

RECORDKEEPING

Article 10

- 10.1** The notifications, registrations and records of other statements provided in accordance with this Policy shall be kept for minimum period of 5 (five) years by the Bank.

BREACH OF OBLIGATIONS

Article 11

- 11.1** Acting contrary to the provisions of this Policy shall be regarded as acting in serious breach of the contract of employment and obligations derived therefrom.
- 11.2** The Compliance function shall report to the Internal Audit Department on any breach of the Policy. In case of any doubts related to the breach of this Policy provisions, Compliance function shall request, with the consent of the responsible member of the Management Board, the Internal Audit Department to carry out an audit. In the event of non-compliance with the obligations and prohibitions is established, a specific report thereon will be presented to the relevant corporate bodies, depending on the seriousness of the circumstances established, without prejudice to the periodic reporting to the governing bodies on the management of non-compliance risk.

AMENDMENTS TO THE POLICY

Article 12

- 10.1** Compliance Department is authorised, subject to the consent of the responsible member of the Bank's Management Board, to amend or modify the Policy, if such amendments and modifications are technical or administrative in nature and are necessary for compliance with amendments to the relevant regulations.