

Policy and procedure for management of the conflicts of interest

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Definitions and abbreviations

Client	A natural person or legal entity, including a business partner, with whom Nectaro is involved in at least one financial service, or who has submitted an application to Nectaro for provision of financial services, as well as the Client's representative (authorised person) who has powers to act on behalf of the Client.
Nectaro or Investment Brokerage Firm, or the Company	SIA Nectaro
Regulatory Authority	Bank of Latvia
Internal Audit	Nectaro Internal Audit Function (Outsourced).
Internal Rules of Procedure	Documents issued by the Investment Brokerage Firm which govern operations of the Investment Brokerage Firm and individual departments or employees thereof, for instance, policies, procedures, regulations, instructions.
Conflict of Interest	Situations where an employee of the Investment Brokerage Firm may pass a decision or take other actions related to the position of the Investment Brokerage Firm's employee, upon performing his or her professional duties, which affect or might affect personal interests of such employee, his or her relatives or business partners.
Laws, Regulations, and Standards	Laws and regulations which govern operations of Nectaro, standards set by the self-governing institutions associated with the operations of Nectaro, professional codes of conduct, codes of ethics, and other best practice standards associated with the operations of Nectaro.
Persons affiliated to Nectaro	Shareholders who have a qualifying holding in the Investment Brokerage Firm, members of the Management Boards, lead of the Internal Audit Function, and other employees authorised and responsible for planning, management and monitoring of investments, as well as spouses, parents and children of such persons.
Policy	The present Policy and Procedure for Management of the Conflicts of Interest.
Management Board	Nectaro Management Board.

1. Purpose of the document

- 1.1. The purpose of the Conflict of Interest Management Policy is to establish:
 - 1.1.1. Essence for the Conflicts of Interest for Nectaro;
 - 1.1.2. Procedure for a prompt identification and management of the Conflicts of Interest;
 - 1.1.3. Procedure for mitigation of a situation of the Conflict of Interest;
 - 1.1.4. Responsibilities of units and employees of Nectaro in the process of management of the Conflicts of Interest.
- 1.2. Employees of Nectaro are informed of this Policy upon commencing their work, as well as the present Policy is freely available to all employees of Nectaro.
- 1.3. The present Policy is binding on the members of the Management Board and all employees of Nectaro.
- 1.4. The present Policy is developed in accordance with:
 - 1.4.1. The Financial Instruments Market Act;
 - 1.4.2. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
 - 1.4.3. FCMC Binding Regulation No 227 "Binding regulation for development of an internal control system";
 - 1.4.4. Guidelines on the internal management in accordance with Directive 2013/36/EU.

2. Main objectives upon managing the conflicts of interest at Nectaro

- 2.1. Upon managing the Conflicts of Interest, Nectaro implements the following objectives:
 - 2.1.1. Identify, record and prevent situations of the Conflict of Interest;
 - 2.1.2. Ensure reciprocal independence for those units between which the Conflict of Interest may occur;
 - 2.1.3. Ensure clarity, accuracy and authenticity of the information provided to the Clients;
 - 2.1.4. Ensure that the conditions for persons affiliated with Nectaro and employees of Nectaro do not differ from those offered to the persons not affiliated to Nectaro;

- 2.1.5. Ensure that the conditions for companies where the persons affiliated to Nectaro and the employees of Nectaro have the qualifying holding do not differ from those offered to the unaffiliated persons;
- 2.1.6. Ensure that officials or employees of Nectaro, upon performing their professional duties, prevent the occurrence of the situation of the Conflict of Interest and avoid making decisions on transactions of Nectaro, if these persons encounter or might encounter a situation of the Conflict of Interest;
- 2.1.7. Ensure that all employees of Nectaro comply with the provisions with regard to management of the Conflicts of Interest;
- 2.1.8. Ensure that the management of Nectaro is informed about the discovered situations of the Conflict of Interest and measures carried out to remedy them.

3. Management of the conflict of interest

- 3.1. Nectaro shall implement all required measures for the purpose to identify and prevent the Conflicts of Interest, which may occur upon providing investment services, or in the following circumstances:
 - 3.1.1. Execution of a Client's orders for a transaction with financial instruments on behalf of the Client. Upon executing the Client's orders, the possible situations of the Conflict of Interest may occur:
 - 3.1.1.1. Between the Client and other Clients of Nectaro in the event that the Clients close transactions with the same financial instruments;
 - 3.1.1.2. Between the Client and Nectaro, if Nectaro executes a transaction of acquisition of financial instruments on behalf of the Client, Nectaro is the seller/distributor of the financial instrument, and receives commissions from the sale of the financial instrument;
 - 3.1.1.3. Between the Client and Nectaro, if Nectaro executes a transaction with a financial instrument which it acquires on behalf of the Client, and the issuer of this financial instrument is any company being part of the Nectaro's group of companies
 - 3.1.2. Personal transactions. Employees of Nectaro may close personal transactions with financial instruments. In such case the employee's personal interests may be in conflict with the interests of the Client or Nectaro.
- 3.2. Nectaro identifies situations also with regard to the Conflicts of Interest which might occur with persons affiliated to Nectaro and companies where officials / employees of Nectaro have the qualifying holding.
- 3.3. Nectaro shall ensure that, upon providing services to the Clients, the following conditions are complied with:

- 3.3.1. The employee shall not resolve on matters where he or she or the person affiliated to them has interests that are contradictory to the interests of Nectaro or the Client;
 - 3.3.2. The employees shall not engage in exchange of information with employees of other units concerning the Clients of Nectaro and their transactions, save for the cases when it is prescribed by the Internal Rules of Procedure;
 - 3.3.3. The employees who accept and execute instructions of the Client in transactions with financial instruments and whose interests may be contradictory to the interests of Nectaro fall under a special supervision;
- 3.4. In order to identify the Conflicts of Interest, which may occur upon providing investment services and ancillary investment services, Nectaro shall take into consideration situations where Nectaro, the persons affiliated to Nectaro, or the person who controls, directly or indirectly, Nectaro:
- 3.4.1. Might gain profit or prevent financial losses at the expense of the Client;
 - 3.4.2. Is interested in the outcome of the service provided to the Client or the transaction executed on behalf of the Client which does not support the interests of the Client;
 - 3.4.3. Is interested in acting for the benefit of another Client or a group of Clients;
 - 3.4.4. Is engaged in the same professional activity as the Client;
 - 3.4.5. Receives or will receive a remuneration for the service provided to the Client from another person in a form of cash, goods or services, which are not a standard fee for this service.
- 3.5. Officials/employees of Nectaro who may encounter the situations of the Conflict of Interest are not allowed the following upon performing their duties:
- 3.5.1. Execute personal transactions:
 - 3.5.1.1. Based on the Insider Information which is available to the employees as a result of performance of the job duties;
 - 3.5.1.2. Using or insufficiently disclosing information which contains transactional data of restricted access;
 - 3.5.1.3. Which are contradictory to the requirements set out in the Financial Instruments Market Act.
 - 3.5.2. Advise a third party on execution of such a transaction with financial instruments which would be qualified as the personal transaction for the person who has provided the advice on the transaction, save for a case where the transaction is recommended upon performing the job duties;

- 3.5.3. Disclose information to a third party or express such an opinion that if the person who has disclosed this information knows of should have known that the disclosure of this information would result in the third party giving or might be giving an advice to another person to close such transaction with financial instruments which would be qualified as the personal transaction for the person who has disclosed this information
- 3.6. Nectaro has a right to note that in order to close personal transactions, the Clients of Nectaro who are concurrently employees of Nectaro or the persons affiliated to Nectaro must obtain an authorization from Nectaro to execute such transactions.
- 3.7. The employees of Nectaro or the persons affiliated to Nectaro may execute the personal transactions with financial instruments on the same terms as the Clients of Nectaro.
- 3.8. The employees of Nectaro or the persons affiliated to Nectaro shall inform Nectaro about their accounts opened with Nectaro. Nectaro shall monitor the personal transactions with financial instruments.
- 3.9. Based on the information provided by relevant persons or obtained during the monitoring, Nectaro shall develop and maintain a register for storing information about transactions with financial instruments executed by the employees of Nectaro or the persons affiliated to Nectaro.
- 3.10. If the organisational or administrative measures set forth by Nectaro for management of the Conflict of Interest are insufficient in order to ensure with a sufficient certainty that the risk of damage to the Client's interest will be eliminated, Nectaro shall clearly state the essence of the Client's Conflict of Interest and/or sources thereof before commencement of the respective investment services or ancillary services for the Client.

4. Receiving and presenting of gifts

- 4.1. For the purpose of the present Policy, a gift is a pecuniary or a nonpecuniary asset for which the beneficiary does not have to make a payment using cash (such as foodstuff, beverages, goods, services, tickets to entertainment / sports / events, seminars, accommodation, etc.).
- 4.2. The employees shall ensure that Nectaro will not be indicted for corruption, or presenting or receiving bribes as well as other undue payments.
- 4.3. The employees are prohibited from requesting/accepting/offering/providing the Clients, business partners or other persons affiliated to Nectaro with pecuniary benefits or benefits for themselves or others which, as a result, may affect decisions of Nectaro with respect to the Object of Interest, presenter of pecuniary benefits or advantages, if such behaviour may affect the decision of the beneficiary of the benefits or advantages with regard to the Company.
- 4.4. The employees are under an obligation to decline the gift if such a gift is not of a nature of a souvenir or a presentation item (keepsake the value of which does not exceed EUR 50) in any transaction related to

Nectaro, as well as to decline an invitation to an event if there are suspicions of the possible Conflicts of Interest.

4.5. Unless prohibited by the Laws, Regulations, and Standards, an employee may present the following on in the name of Nectaro:

4.5.1. Gifts that Nectaro presents on days off and holidays if such gifts are not unjustified;

4.5.2. Gift cards to entertainment events, if such gifts are not presented too frequently and without a reason, and not presented to one and the same person.

5. Awareness of the conflict of Interest in actions of members of the management boards

5.1. Each member of the Management Board shall avoid any Conflict of Interest in his or her activities and shall be independent, to the extent possible, from any external circumstances. Upon passing any decisions related to operations of Nectaro, the Management Board shall follow the generally accepted principles of ethics and bear liability for the decisions made.

5.2. The duty of each member of the Management Board is to prevent any Conflicts of Interest in his or her activities, including a perceived one. The member of the Management Boards shall bear the interests of Nectaro in mind and shall not use offers of collaboration addressed to Nectaro for the purpose of gaining personal benefit.

5.3. The member of the Management Board shall promptly notify other members of the Management Board about occurrence of any Conflict of Interest or possibility thereof.

5.4. The member of the Management Board who is in a potential Conflict of Interest, shall not have a voting right with respect to the decisions that might be associated with this Conflict of Interest.

6. Procedure for reporting of the conflicts of interest, submission and recording thereof

6.1. The Internal Audit shall be responsible for monitoring of the possible situations of the Conflict of Interest and evaluation thereof. Its duties involve:

6.1.1. Arranging and monitoring development of the relevant Procedures and Policies, implementation and compliance therewith;

6.1.2. Arranging and coordinating training for the employees of Nectaro on management of the Conflicts of Interest;

- 6.1.3. If the Conflict of Interest is established, advise the employees of Nectaro about the particular situation of the Conflict of Interest and as to how to prevent or manage this Conflict of Interest;
 - 6.1.4. Record the notified situations of the Conflicts of Interest and maintain a register for all identified situations of the Conflict of Interest, and measures carried out for the purpose of managing thereof;
 - 6.1.5. At least once a year, provide a written report to the Management Board about the identified situations of the Conflict of Interest and the measures carried out for the purpose of managing thereof.
- 6.2. Information about situations of the Conflict of Interest can be obtained in the following manners:
- 6.2.1. An employee reports of a situation of the Conflict of Interest which he or she has encountered;
 - 6.2.2. An employee reports of a situation of the Conflict of Interest encountered by another employee;
 - 6.2.3. Identifying the Conflicts of Interest during scheduled or extraordinary audits, financial monitoring or similar circumstances;
- 6.3. The Internal Audit shall assess the received report and, if the Conflict of Interest is identified, shall develop proposals how to prevent or mitigate it and communicate thereof to the Management Board for review and approval.

7. Responsibilities, updating of the policy, and monitoring

- 7.1. The Management Board shall be responsible for approval of the Policy and any subsequent modifications thereof.
- 7.2. Nectaro's Internal Audit shall be responsible for monitoring on regular basis and improvement of the processes pertaining to the Policy.
- 7.3. Nectaro shall revise the Policy at least once a year, and, if necessary, shall introduce required modifications.

8. Other provisions

- 8.1. Nectaro shall ensure that its employees may report of possible or existing cases of the Conflicts of Interest in their own actions and actions of other employees in accordance with the Laws, Regulations, and Standards.