



**POLICY OF UNICREDIT BULBANK AD, ACTING
AS AN INVESTMENT INTERMEDIARY, ON
TREATMENT OF CONFLICTS OF INTEREST**

The present policy on treatment of conflicts of interest was adopted by the Management Board of UniCredit Bulbank AD during its meeting No 21 dated 17.05.2018 and it is updated on the grounds of Global Process Regulation Management of conflicts of interest (UC-2019-246).

Control of the Investment Intermediary and Market Integrity (0089)

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Being a part of the multinational UniCredit Group and a bank offering a wide range of services and products, when operating in its capacity as investment intermediary UniCredit Bulbank AD may fall into situations when some clients' interests intertwine with the interests of other clients, the bank or its employees.

In order to successfully manage such situations and fulfill the requirements of the Markets in Financial Instruments Directive (MiFID II), the Delegated Regulation (EU) 2017/565 and the Markets in Financial Instruments Act (MFIA), UniCredit Bulbank AD developed rules and procedures for identification, prevention and treatment of conflicts of interest that may arise in the process of its business activity. The purpose of this Policy is to ensure clarity, transparency, conscientiousness in the relations with clients, also to ensure that they are informed of potential risks and conflicts and that their interests are protected to the greatest extent possible.

The present policy UCB COM-103-1-13/07/2022 cancels UCB-TRE-48-2-10/05/2018 Policy of UniCredit Bulbank AD, in its capacity as investment intermediary, on treatment of conflicts of interest and it changes the document reference.

The present policy UCB COM-103-1-13/07/2022 applies in accordance with the requirements of document UCB COM-66-1-21/01/2021 Internal Policy Conflicts of interest.

I. WHAT IS A CONFLICT OF INTEREST?

A conflict of interest is a situation that can arise upon provision of investment services as per Art.6, para 2 of MFIA, namely:

1. Accepting and forwarding orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Dealings in financial instruments on own account;
4. Portfolio management;
5. Investment advice;
6. Underwriting of issues of financial instruments and/or offering of financial instruments on the basis of unconditional and irrevocable commitment to subscribe/acquire financial instruments on own account;
7. Initial offering of financial instruments without unconditional and irrevocable commitment to acquire the financial instruments on own account (placement of financial instruments);
8. Operation of an MTF /multilateral trading facility/;
9. Operation of an OTF /organized trading facility/

And of Ancillary Services as per Art.6, para 3 of MFIA, such as:

1. Keeping and administration of financial instruments at the expense of clients, including custodian activity and related services, such as cash and collateral management, except for centralised keeping of securities accounts;
2. Granting loans to investors to effect transactions in one or more financial instruments provided that the intermediary granting the loan is involved in the transaction;
3. Advice to undertakings regarding the capital structure, industry strategy and relevant matters, as well as services and advice related to restructuring and acquisition of undertakings;
4. Provision of services related to foreign means of payment, insofar as they are related to the investment services provided;
5. Investment research and financial analysis or other forms of general recommendations on transactions with financial instruments;
6. Services related to underwriting of issues of financial instruments;

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7. Investment services and activities in relation to the underlying instruments of derivative financial instruments when related to the provision of investment and ancillary services;

or a combination of these where under particular conditions a risk for the interest of a client of the bank may arise. The main categories of conflict of interest are:

- Between a client and the bank;
- Between a client and an employee of the bank, members of its management body / Management Board/, related persons or other members of UniCredit Group;
- Between clients to which the bank has commitments

II. IDENTIFICATION OF CONFLICTS OF INTEREST

In order to identify the types of conflict of interest, arising in the course of providing the above-mentioned investment and ancillary services or a combination of them, which could damage the interests of the client, the investment firms shall take into consideration, through minimum criteria, whether the investment intermediary or a respective person which is directly or indirectly related to the intermediary through control falls into one of the following situations, irrespective of whether it has arisen as a result of the provision of investment or ancillary services or in any other way:

- The investment intermediary or this person may realise financial profit, or avoid financial loss, at the expense of the client;
- The investment intermediary or this person has an interest in the result from the service, provided to the client, or in the transaction, executed at the client's expense, that is different from the client's interest in this result;
- The investment intermediary or this person has a financial or other inducement to prefer the interest of another client or group of clients to the client's interest; d) the investment intermediary or this person performs the same business activity as the client;
- The investment intermediary or this person receives or will receive an inducement from a person other than the client, in relation to the service provided to the client in the form of monetary or non-monetary benefits or services.

UniCredit Bulbank AD provides a wide range of products and services to different clients and could therefore face a number of potential conflicts of interest, given the different types of relations and stakeholders such as customers, the Group and the Bank, the shareholders, the governing bodies. Improper management of conflicts of interest could give rise to reputational risk, legal or regulatory sanctions, as well as disciplinary sanctions.

The model of the Group regarding Conflict of Interest adopted by UniCredit Bulbank AD includes:

- Conflict of Interest matrix;
- IT application - SIA-Eagle for recording and checking events, subsequent identification of conflicts of interest (if any) and record keeping in this regard.

It shall keep and update a Register of types of investment or ancillary services or investment activity (SIA-Eagle IT annex) where there is a risk of a conflict of interest that would result in a risk of harm to the client's interests.

The status of the client - retail, professional or eligible counterparty has no significance for the purposes of application of the measures against conflicts of interest.

The Bank in its capacity as investment intermediary applies effective procedures and measures in treating conflicts of interest, as established in its internal rules.

The intended procedures and measures guarantee that the persons working under a contract for the investment intermediary perform the various activities, including conflicts of interest, with a degree of independence of the performance that is appropriate in view of the size and activity of the investment

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intermediary and the group it belongs to, and the significance of the risk of damage to a client's interest.

The procedures and measures include some of the following to the extent necessary to ensure the needed degree of independence to treat conflicts of interest with regard to a financial analyst participating in the preparation of research and of other persons working under a contract for the investment intermediary whose responsibilities or business interests may be in conflict with the interests of the persons that are provided with the investment research.

1. Effective procedures aimed at prevention and control of information transfer among the persons performing activities that involve a conflict of interest when the transfer of this information may harm the interests of one or more than one client of the investment intermediary.
2. Separate control over the persons whose main functions include performance of services on behalf of/ at the expense of clients or the provision of services to clients when a conflict may arise among the interests of clients or that represent different conflicting interests among which a conflict may arise, including the investment intermediary's interest;
3. No direct relation between the remuneration of the persons that perform mainly one activity and the remuneration of the persons that perform mainly another activity for the investment intermediary or the revenues generated by the second group of persons if a conflict of interest may arise in relation to these activities;
4. Measures for prevention or limitation of the possibility of inappropriate influence by any person on the way a person working under a contract for the investment intermediary performs the above investment and ancillary services and activities;
5. Measures for prevention and respectively control on the concurrent or subsequent participation of one person working under a contract for the investment intermediary in the performance of separate investment or ancillary services or activities, when this participation may damage the due management of conflicts of interest;

The investment intermediary must also ensure fulfillment of the following additional conditions:

1. The financial analyst and the other persons working under a contract for the investment intermediary shall not conclude any personal transactions or transactions at the expense of another person, including for the investment intermediary, with financial instruments that the investment research concerns, or with related financial instruments, with knowledge of likely timing of disclosure or the content of the investment research; sentence one shall apply when the investment research is not available to the public or the clients and cannot be readily inferred on the basis of information available to the public or the clients; the prohibition of sentence one shall be valid until it is reasonably possible for the recipients of the investment research to act in compliance with it; the prohibition of sentence one shall not apply to market-makers acting in good faith and in the course of the regular performance of such activity and when executing orders of clients given on their initiative;
2. in circumstances not covered by item 1, the financial analyst and the other persons, who work under a contract for the investment intermediary and are involved in the preparation of investment research, must not undertake personal transactions in financial instruments, to which the investment research relates, or in any related financial instruments, contrary to the current recommendations during the period of their validity, except in exceptional circumstances and with the prior approval of a person of the investment intermediary's legal or internal audit department;
3. the investment intermediary, financial analyst and other persons working under a contract for the investment intermediary who are involved in the preparation of the investment research must not receive remuneration, commissions or non-monetary benefits from persons with material interest in relation to the subject of the investment research;
4. the investment intermediary, financial analyst and the other persons working under a contract for the investment intermediary who are involved in the preparation of the investment research, must not promise issuers, to which it relates, favorable research coverage;
5. issuers, all persons working under a contract for the investment intermediary, except the financial analyst, as well as all other persons, must not be permitted to review its draft prior to its dissemination, for the purpose of verifying the accuracy of the factual statements made in the research, or for another purpose, other than verifying compliance with the investment intermediary's legal obligations, if the

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research includes recommendation or a target price. Related financial instrument means a financial instrument, the price of which is closely affected by price movements in another financial instrument which is the subject of the investment research, including a derivative on the basis of that other financial instrument.

Prior to performing any action at the expense of a client, in relation to which a conflict of interest exists, an investment intermediary shall provide the client with information on durable medium about the conflict of interest that is sufficient according to the characteristics of the client, so that the latter may take informed decision about the investment or ancillary service, in relation to which conflict of interest arises.

The investment intermediary shall keep and update information on the types of investment or ancillary services or investment activities, performed by the investment intermediary or for its account, where in the course of carrying out of the service or activity, a conflict of interest arises or may arise, which results in substantial damage to the interests of the investment intermediary's client or clients.

The purpose of the **POLICY ON TREATMENT OF CONFLICTS OF INTEREST OF UNICREDIT BULBANK AD**, acting in its capacity as an investment intermediary, in compliance with the standards stipulated for the UniCredit bank group and the applicable legislation is to identify the conflicts of interest both within the bank and on group level, and to establish and guarantee the required conditions that do not allow and/or prevent conflicts of interest to the extent possible. In case this turns out to be objectively impossible, by means of the organisational and administrative measures introduced by the adopted rules and procedures, it resolves similar cases in favour of the client.

The main measures applied by the bank to treat conflicts of interest are the introduced requirements:

- The remuneration of the employees and the related persons cannot be closely related to the revenues from the investment orders that pose a risk of a conflict of interest;
- The activity of the bank related to trade in financial instruments on its own account or sale of financial instruments issued by it and relations of the bank with the issuers of financial instruments - e.g. credit relations, participation in public offering, etc. shall be controlled and kept in specific record so that no misuse of internal information in conflict with its clients' interests is allowed;
- Information received at the bank that is not publicly disclosed shall be used by authorised persons upon and on the occasion of performing their professional duties, so that there are no prerequisites for threatening the interests of clients of the bank and conflict with them. The information is bank, commercial and professional secrecy and cannot be provided to anyone unless it is objectively required for the fulfilment of his/her obligations as bank employee as per the provisions of his/her job description and to the bodies and persons authorised by the law. The Bank has effective procedures for exercising strict control over the use and transfer of information when this information can put its clients' interests at risk;
- The bank exercises control over its employees through which it acts as investment intermediary, their controlling employees, the personal relations of employees or of members of the management bodies, or of persons related to them as well as their participation in control, advisory and management bodies outside the bank in order to exclude any possibility for official misconduct, unlawful official influence, use of official information and harming the interests of clients of the bank to the benefit of employees and/or other clients;

III. MEASURES FOR IDENTIFICATION AND TREATMENT OF CONFLICTS OF INTEREST

1. Function responsible for the control of the investment intermediary's compliance

Control of compliance of the intrabank rules with the regulatory requirements of the Markets in Financial Instruments Act, Measures Against Market Misuse of Financial Instruments Act and the Ordinance on the Requirements to the Activities of Investment Intermediaries, in order to minimise the risk of conflict of interest and unlawful use of internal information in the bank when acting as investment intermediary, shall be exercised by the structure "Control of Investment Intermediary and Market Integrity", performing the function for controlling the

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compliance of the investment intermediary established as per the provisions of MiFID II and the effective legislation in the country.

2. Chinese walls

The Chinese walls are the bank's organisational and technical barriers between different zones within the bank, which restrict the movement of internal information available to these zones to the extent necessary for fulfillment of the requirements. These zones include trade and sales on the financial markets at the expense of the bank, at the expense of clients, securities issuing, control functions and corporate lending.

3. Refraining from transactions

In case the conflict of interest cannot be prevented through the implemented organisational and administrative measures, the bank's policy is to resolve these cases in favour of the client - including by refraining from a planned transaction the fulfillment of which results in considerable risk of conflict of interest.

4. Priority

The client's interests always have priority over the bank's interests and those of its employees.

5. Disclosure of conflicts of interest

Disclosure of conflict of interest is done only if the bank cannot resolve it in any other way. The affected client will be informed of the details of the particular case in writing, prior to concluding the transaction.

6. Rules on personal transactions and market abuse prevention

The bank has established internal rules for employees' conduct and their personal transactions intended for prevention of market abuse (trade in internal information and market manipulations) and conflicts of interests.

These rules include a requirement for submission, collection and keeping of a record with information about potential cases of personal interests of the members of the management bodies or other employees of the bank as well as their participation in management, control or advisory bodies or holding of shares in companies outside the bank.

7. Remuneration

No direct relation is allowed between the remuneration of employees offering investment services or products and the revenues generated from another type of investment service or product within the bank, if it is possible for a conflict of interest to arise among these activities.

8. Accepting presents and other benefits

Bank employees cannot accept or request monetary or non-monetary benefits for themselves or persons related to them that might lead to doubts with regard to their impartiality.

9. Financial analyses

Special instructions for the analysts are applied in the course of preparing financial analyses and research, which determine the standards of behaviour in order to ensure independent, impartial and objective analysis.

10. Best Execution Policy

An important component for protection of investors is the Clients' Orders Execution Policy adopted by the Bank in accordance with the regulatory requirements. The purpose of these rules is to ensure the best possible result for the client-ordering party upon the execution of clients' orders and the distribution of orders during public offerings of securities.

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11. Prospectuses

It is required for any possible conflict of interest to be disclosed in the prospectuses in case of participation in public offering of new issues.

12. Inducements

Upon assigning or providing investment or ancillary services the bank can provide its partners (issuer, investment intermediary) and receive from them the following payments (inducements):

- Commission for placement and/or underwriting of an issue /when the bank is a Lead Manager or a Co-Manager in securities issuing/
- Commissions and/or fees for use of external services for the purposes of the main business /legal services, translation, technical services, market information, analyses and forecasts, etc./
- Commission for investment intermediation /when the bank uses an intermediary to execute clients' orders/
- Commission for distribution of shares from collective investment schemes /mutual funds/

The commissions are determined and established in terms of amount or way of determining the amount according to types of services and activities in the common client tariff unless the client has explicitly undertaken a commitment to cover particular expenses under a contract.

13. Continuous control of compliance with the laws and internal rules regulating the operations and transactions with financial instruments is performed by Control of Investment Intermediary and Market Integrity exercising control over the compliance of the investment intermediary and by the Internal Audit of the bank through regular checks.

IV. FINAL PROVISIONS

In compliance with the regulatory requirements, the Bank as an investment intermediary, prior to providing an investment or ancillary service provides both the current and the potential clients with the possibility to become acquainted with the Policy on treatment of conflicts of interest in relation to the activity of the bank as an investment intermediary.

The Policy is available on the official website of the Bank.

UniCredit Bulbank AD in its capacity as an Investment intermediary should provide detailed information on durable medium by request of each client in order to provide him an opportunity to take the informed decision for the investment service related to the conflict of interest occurred.