

## SUMMARY OF CONFLICT OF INTEREST MANAGEMENT POLICY

(effective as of 28 May 2019)

The Supervisory Council of Luminor Bank AS approved the Conflict of Interest Management Policy (hereinafter the "Policy"), which determines requirements for identification, prevention and management of Conflicts of Interest related to all business activities, including provision of investment and ancillary services, and to the Customers, Employees, Business Partners and other stakeholders to ensure that all stakeholders are treated fairly in Luminor. Failure to comply with the rules set in the Policy is a violation and may result in disciplinary or legal actions and sanctions according to the national laws.

### DEFINITIONS

**Business Partners** mean vendors, suppliers and other service providers to Luminor under a procurement, outsourcing or other agreement, or to which Luminor provides services (except for the Customers in terms of provision of financial services).

**Conflict of Interest** means a situation where the interests of different parties are contradictory, and a duty of care or trust exists between those parties. A Conflict of Interest under the Policy includes both an actual Conflict of Interest (i.e. a Conflict of Interest that has arisen) and a potential Conflict of Interest (i.e. a Conflict of Interest that may arise given particular facts and circumstances). It also includes a perceived Conflict of Interest (i.e. a situation which may give rise to the perception of a Conflict of Interest), even where a Conflict of Interest may not in fact exist. Conflicts of Interest may arise between:

- Luminor or its Employee(s) and one or more Customers;
- Different Customers of Luminor in the context of the provision of services by Luminor to those Customers;
- Luminor and its Employee(s);
- Different units of Luminor;
- Luminor and its shareholder(s);
- Luminor and its Business Partner(s);
- Luminor and other natural and/or legal persons directly or indirectly related to Luminor (e.g. its subsidiaries).

**Customer** means a natural or legal person to whom Luminor provides or intends to provide financial services.

**Employee** means all permanent and non-permanent staff as well as members of the Supervisory Council, the Management Board and of all Luminor committees.

**External Engagement** means the signed, present or past (over the last 5 years), employment or assignment of the Employee outside Luminor irrespective of whether the employment or assignment is remunerated or not. External Engagement includes, but is not limited to, employment outside Luminor, own business of the Employee, holding control of or material number of shares in a legal person or power of attorneys to represent or act on behalf of a legal or natural person outside Luminor, external copyright and royalties' agreements, external consultancy activities. Holding of financial instruments in the result of the Employee's personal investment transactions with the purpose to manage personal savings is not considered External Engagement if the financial instruments do not give the Employee control over their issuer.

**Investment Research** means a research or other information (that is not considered a personal investment recommendation), which directly or indirectly offers or recommends an investment strategy relating to one or several financial instruments or their issuers, including expressed opinions on the current or future value or price of such financial instruments, (offering or recommending an investment strategy relating to a specific industry or market in a way that it offers a relevant view on the financial instruments or classes of assets typical of a particular sector), which is aimed at Luminor's Customers or the general public and is identified as an Investment Research or defined with a similar definition or is otherwise presented as an objective and independent explanation of the matters indicated in the recommendation. For the purposes of the Policy, an Investment Research also includes information other than an independent study which constitutes the above type of information but is not identified as an Investment Research or defined with a similar definition or is not otherwise presented as an objective and independent explanation of the matters indicated in the recommendation (e.g. marketing communication).

**Investment Services** mean investment and ancillary services provided by Luminor as well as investment activities carried thereby.

**Luminor** means Luminor Bank AS (including all its branches and all its subsidiaries).

**Management** means members of the Supervisory Council, Management Board and Heads of the structural units.

**Management Board** means the Management Board of Luminor Bank AS.

**Related Person** means any of the following persons related to the Employee:

- (a) A spouse of the Employee or a partner considered by national law to be equivalent to a spouse;
- (b) A dependent or adult child (children) or stepchild (stepchildren), parents, stepparents, sibling(s), relative(s)-in-law of the Employee, sharing the same household or living separately;
- (c) Any other person who shares the same household with the Employee;
- (d) Any legal person, trust or partnership, the managerial or supervisory responsibilities of which are discharged by the Employee or the person(s) referred to in subsections (a)-(c) of this definition, or which is directly or indirectly controlled by the Employee or such person, or which is set up for the benefit of the Employee or such person, or the economic interests of which are substantially equivalent to those of the Employee or such person.

**Supervisory Council** means the Supervisory Council of Luminor Bank AS.

## ROLES AND RESPONSIBILITIES IN THE CONFLICT OF INTEREST MANAGEMENT

All Luminor Employees as well as Luminor Management in their management and supervisory roles, dedicated bodies and structural units have clearly defined roles and responsibilities in the Conflict of Interest management.

**Each Luminor Employee** has an individual responsibility for ensuring compliance with the Policy and other internal rules and principles governing management of Conflicts of Interest in Luminor and must:

- 1) Act honestly, fairly and professionally in the best interests of Customers;
- 2) Uphold a high standard of ethical behavior in performing his/her duties;
- 3) Avoid conflict of interest situations related to personal financial interests of the Employee or his/her Related Persons stemming from previous, current or potential future involvement in activities in Luminor or externally;
- 4) Disclose their personal and/or Related Person's External Engagements in line with the Procedure on Declaration of External Engagements and Economic Interests.

**Management** must ensure that their Employees have adequate knowledge of the Policy and other internal rules and principles related to the Conflicts of Interest and that all activities within their unit are carried out in accordance with them. Management also must promote the ethical culture and act in a manner that sets a proper example for avoiding Conflicts of Interest as well as undertake full responsibility for decision taken on acceptance and management of Conflict of Interest situation regarding the Employee under direct subordination.

**The Supervisory Council** has the overall general role in the Conflict of Interest management by establishing and approving the Policy and overseeing the implementation and maintenance of the effective Conflict of Interest management framework.

**The Management Board** implements the Policy by setting and overseeing adequate and effective internal control system for Conflict of Interest management, ensuring regular risk assessment in the Conflict of Interest area, developing and maintaining effective Conflict of Interest management practices and actively identifying actual or potential Conflicts of Interests that could adversely influence daily activities of Luminor, as well performance of the Management Board duties and decisions taken.

**Business Integrity and Sustainability Committee** evaluates Conflict of Interest situations and provides further guidance for mitigating actions, monitors the measures applied by the Management Board to ensure compliance with the Policy, reviews the reports on findings of investigations related to the Conflict of Interest management and exercises oversight, where possible, over any such investigation affecting Luminor.

**Compliance Division** develops and maintains framework for the Conflicts of Interest management, provides regular training, advice and support to all Employees in relation to the Policy and Conflicts of Interest as well as develops, implements and maintains Conflicts of Interest register, periodically assesses the effectiveness of Conflicts of Interest management, keeps and regularly updates information on the type of Investment Services and financial instruments that have caused or, in the event of continuous service or operation, may cause a Conflict of Interest potentially threatening to undermine the interests of one or several Customers, constantly observes the transactions with financial instruments, which can cause a Conflict of Interest, reports major findings to the Management and Luminor Group Chief Compliance Officer.

## IDENTIFICATION OF CONFLICTS OF INTEREST

When identifying Conflict of Interest that might arise between Luminor or Employee or Business Partner and a Customer or between two Customers, as a minimum to be considered whether Luminor, Employee, Related Person or Business Partner:

- Is likely to make an inappropriate financial gain or avoid a financial loss at the expense of the Customer;
- Has an interest in the outcome of the service provided to the Customer or of the transaction carried out on behalf of the Customer, which is distinct from the Customer's interest in that outcome;
- Has financial or other incentive to favour the interest of a Customer or a group of Customers over the interests of another Customer or group of the Customers at the expense of another Customer or Group of Customers;
- Conducts the same type of business as the Customer;
- Receives or will receive from a person other than the Customer an inducement relating to the services provided to the Customer other than the standard commission or fee for that service.

When identifying Conflicts of Interest that might arise between Luminor and Employee(s), Related Person(s), Business Partner, or within Luminor, it as a minimum to be considered whether:

- Employee's or his/her Related Person's individual interests in the outcome of a particular activity are directly contrary to the interests of Luminor or a Customer;
- Employee can influence Luminor decisions in a manner that leads to a personal gain or an advantage for the Employee or a Related Person;
- Employee or Related Person receives monetary or non-monetary benefit because of the Employee's position in Luminor;
- Employee's External Engagement impairs or could impair his/her independence, judgment, objectivity or capability in carrying out duties;
- One unit of Luminor favors its interest over another unit, which is inconsistent with the best interest of Luminor;
- Agreements with Business Partners are evaluated or signed on inappropriate market conditions and/or might violate the competition in the market.

Luminor at least once a year performs internal risk assessment with the aim to identify any Conflicts of Interest and to evaluate the efficiency and sufficiency of internal controls for implementation of the Policy. Results of the internal assessment are reported to the Supervisory Council.

## PREVENTION OF CONFLICTS OF INTEREST

Luminor has established the internal regulations' framework to prevent Conflict of Interest when conducting its business activities and providing financial services to the Customers. This framework consists of the policies and procedures that provide guidance for the Employees on *inter alia*:

- Sound business relationships and requirements for anti-bribery and anti-corruption practices, and principles for the handling of gifts and benefits when interacting with Customers and Business Partners;
- Prevention of Conflicts of Interest when handling inside information and performing personal trading and investments activities;
- Limitations and disclosure of payments, receipts of any fee or commission or provision or receipt of a non-monetary benefit (i.e. inducements), which are received from or given by Luminor to third parties in connection with provision of Investment Services to Customers;
- Principles for deciding on remuneration to the Employee, provided that the remuneration shall not compromise the objectivity of the Employees when carrying out their duties or interests of the Customers or shall prevent prioritization of the interests of the Employees or Luminor undermining the interests of the Customer.

Luminor applies the “*need to know*” principle in handling of all types of information, i.e. the information is accessible only to those Employees who have a justifiable need for such information to carry out their professional duties. To manage the information flow, Luminor has also set up Chinese Walls arrangements (i.e. physical separation and restricted access to information or other specific arrangements) around and within certain business activities where confidential Customer information is handled (e.g. investment advice, investment research, portfolio management).

In cases where the interests of Luminor, Employee and the Customer are confronted, priority must be given to the Customer’s legitimate interests.

## REPORTING ON CONFLICT OF INTEREST

In all cases of actual or potential Conflict of Interest or any concerns of misconduct which can affect the interests of Luminor or its Customers the Employee shall report to his/her direct manager and to Compliance Division. If concern is related to a direct manager of the Employee, he/she should report directly to Compliance Division.

Luminor ensures that Employees have right and possibility to use external reporting tools – whistleblowing procedures, if such are available in particular country.

Reporting on actual and potential Conflicts of Interest is confidential, and the reporting Employees are protected from discrimination and disciplinary measures.

## ADDITIONAL MEASURES FOR MANAGING CONFLICTS OF INTEREST IN PROVISION OF INVESTMENT SERVICES

To prevent possible Conflicts of Interest in the Investment Services area, functions of Employees providing Investment Services are segregated, and these Employees are prohibited from exchanging information, related to the Investment Services provided to the Customers or to any intentions to provide such services, if such exchange of information is not necessary to properly provide the services and/or may harm interests of the Customer or Luminor.

Luminor has a list of financial instruments which may cause Conflict of Interest while providing Investment Services or entering into transactions. This list is monitored and updated on the continuous basis as soon as new financial instrument(s), which may cause Conflict of Interest while providing Investment Services or entering into transactions, is identified. All Employees providing Investment Services to the Customers or entitled to dealing for Luminor account must be familiarized with this list.

Employees may not enter into or recommend any transaction of buying or selling financial instruments which are aimed exceptionally at gaining any financial benefit without considering the Customer’s best interests.

When Luminor is counterparty to a financial derivative transaction, Luminor market risk must be managed by entering into mirror transactions to the full extent of the transactions made with the Customers or by employing other measures to fully hedge the risks stemming from the Customer transactions, and by entering into this kind of hedging transactions with the entities outside of Luminor. Only when Luminor does not have any unhedged positions, the result of a transaction made with the Customer will be insignificant to Luminor, and the interests of Luminor relating to the transaction made with the Customer will not conflict with the interests of the Customer.

When, for the purposes of executing Customer orders, Luminor enters into transactions with the Customer at its own expense, in doing so Luminor must make sure that the underlying transaction is made on the best conditions for the Customer, meaning that the Customer will obtain the best possible result. To that end, before executing the Customer’s order by entering into a transaction at its own expense, Luminor will evaluate and compare the results the Customer would obtain upon executing the order at each of the possible venues of execution, as well as the commission for and other costs of Luminor that would be incurred in the process of executing the Customer’s order at each of the possible venues of execution.

Employees have no right to enter into a transaction in the name and for the account of Luminor and personally for own account if the Customer’s order was received regarding the same financial instrument until the Customer’s order is executed. Orders received from different Customers must be executed in order of priority according to the receipt time and date of the Customer’s order, i.e. orders that were received earlier are executed first.

In cases where payments from third parties are made or received in relation to Investment Services, such payments are subject to the Inducement Policy for Provision of Investment and Ancillary Services.

To avoid Conflict of Interest, the following requirements must be observed in preparing the Investment Research:

- 1) Employees, who participate in or contribute to preparing Investment Researches, are prohibit to:
  - (a) Make personal transactions in financial instruments covered by the Investment Research or in other related financial instruments: (i) if the Employees are aware of the likely time of publishing the Investment Research or its content which is not known publicly or not available to the Customers (the ban provided herein is applicable until the receivers of the Investment Research have a real access to the Investment Research); (ii) when such dealing is contradictory to the existing recommendations, except for the cases where exceptional circumstances occur, and a prior written consent is

- received from the management of Luminor or their authorized person(s) as established by Luminor's internal procedures regulating Employees' personal transactions;
- (b) Accept any incentives from the persons who are directly interested in the subject of the Investment Research;
  - (c) Give any promises that the result of the Investment Research will be favorable to the issuer.
- 2) If the draft Investment Research includes a recommendation or likely future price of the financial instrument, then the issuers and other persons (except the Employees who prepare the Investment Research) have no right, until the Investment Research is published, to look through the draft Investment Research in order to check the correctness of the factual data in the Investment Research or to look through the draft Investment Research for any other purposes.
  - 3) Independence of the Employees who prepare the Investment Research must be ensured, including their segregation from other structural units and ban on taking managing positions in the companies that are covered by the Investment Research or on any other participation in the activity of these subjects which could harm objectivity of the research. Generally, steps must be taken to ensure that the Employees of the Luminor's unit conducting Investment Research only work with preparing Investment Research and do not have access to information about Luminor's available financial instruments that Luminor may deal in. The Employees of this Luminor unit may not disclose any information about Investment Research to the Employees of other Luminor units, or exchange with other unit's information relating to the Investment Services provided to the Customers or any intentions to provide such services, if such exchange is not required for the purposes of providing adequate services and/or may undermine the interests of the Customer and Luminor.
  - 4) Luminor's unit preparing Investment Research may request and obtain from other Luminor units available and objective information about the market prices and conditions that may exist at any given time. The receipt of this information will be subject to the procedure outlined in the Luminor internal regulations.

## DISCLOSURE OF CONFLICT OF INTEREST

In case of specific Conflict of Interest, when measures otherwise put in place are judged to be inadequate or not sufficient to prevent the risk that a potential or actual Conflict of Interest and material damage to the Customer(s) will be prevented, the nature and source of Conflict of Interest shall be disclosed to the Customer concerned on a durable medium and against his/her signature. In disclosing the content of the Conflict of Interest, the Customer must be clearly notified that Luminor's measures to prevent Conflict of Interest are insufficient to make sure that the Customer's interests will not be impaired.

Luminor discloses the relevant Conflict of Interest to the Customer or relevant third party before undertaking business or entering into a transaction with the Customer, Business Partner, providing sufficient information to enable the Customer or relevant third party to make an informed decision on whether to proceed with or terminate particular transaction or business. In addition, a description of the particular arising Conflict of Interest is presented, stating the general nature and sources of Conflict of Interest, as well as the resultant risks for the Customer or relevant third party and actions taken to mitigate the risks.

The Investment Service can be rendered only in case the Customer clearly expresses his/her consent to the provision of the Investment Service amid the Conflict of Interest.

Luminor informs financial supervisory authorities if Conflict of Interest has been identified that may impact the independence of mind of a member of the Management Board or Supervisory Council, including the information on mitigating measures taken.

In certain situations, where the provision of the service could negatively affect the Customer's or third party's interests and/or is unacceptable to Luminor, Luminor has the right to refrain from providing such services.

## Annex 1

### EXTRACT FROM NON-EXHAUSTIVE LIST OF CONFLICT OF INTEREST SITUATIONS

#### Conflicts of Interest in Providing Investment Services

It is not possible to list all actual or potential conflicts of interest in provision of Investment Services; thus, the below list defines the situations in which Conflicts of Interest may arise:

- Luminor or its Employee concludes or intends to conclude a transaction related to a financial instrument at the same time when the Customer's order is received or being executed in relation to the same financial instrument;
- Customers' orders related to the financial instruments issued by Luminor are in process of execution;
- Customers' orders are in process of execution in relation to buying or selling financial instruments which are publicly or non-publicly distributed by Luminor or which are owned by Luminor under the ownership right;
- Luminor offers investment advice regarding financial instruments to Customers and at the same time has any type of agreement with the issuer of the financial instruments that may restrict Luminor's ability to formulate an objective and otherwise compliant investment advice;
- Customer buys Luminor's financial instruments to manage the risks related with Luminor's crediting and financing services;
- Luminor engages in trade in financial instruments at its own expense. In this case, Luminor seeks to maximize return from the positions it assumes and therefore there may be a theoretical Conflict of Interest between this type of business and the Customers entering into transactions with Luminor. This type of situation covers instances when Luminor enters into financial derivative transactions with the Customers (for instance, sells its financial instruments to the Customers) between the counterparties thereof. In cases like that, the interests of Luminor and of the Customer are in conflict because a transaction result for the Customer will mean an opposite result for Luminor. The bigger the share of Luminor's dealing in financial instruments at its own expense and the revenue therefrom, the higher the risk of Conflict of Interest. Luminor will also find itself in a Conflict of Interest situation when it determines the price of the transaction made with the Customer at its own discretion rather than on the basis of objective market data, and when the time difference between a transaction made with the Customer and a transaction made for hedging purposes (if any) may cause Luminor to derive additional financial gain for the price difference in time; as a result, Luminor tries to avoid the latter two situations in its operations to the maximum extent possible;
- Luminor or its Employees receive financial or other incentives which influence their behavior in the way that the Customer or group of Customers gains priority over other Customers;
- Luminor receives monetary or non-monetary benefits from third parties or provides monetary or non-monetary benefits to a third party in relation to the service provided to the Customer;
- The unit that carries out Investment Researches is related to and acts together with the unit that provides investment advice and other Investment Services;
- Investment Services are provided to several Luminor Customers whose interests are contradicting.

#### Conflict of Interest Preparing Investment Research

The below list defines several situations in which Conflicts of Interest when preparing Investment Research may arise:

- Luminor's customers seek to issue their financial instruments at the highest possible price;
- Employees trading in financial instruments and managing Luminor's trading portfolio seek to obtain the highest possible benefit for the portfolio;
- Luminor acts as an issuer/distributor of financial instruments;
- The timing for presenting the results of Investment Research is wrong, because a person obtaining the results of the Investment Research prior to everyone else might front-run and act before the price of the financial instrument is affected by the information presented;
- Investment Research results in a recommendation or offer of an investment strategy for the Customer in relation to financial instruments that, at the time of making the recommendation, are managed, distributed, or used in transactions by Luminor or the persons making the recommendation.