POLICY FOR PREVENTION OF CONFLICT OF INTEREST FOR INVESTMENT SERVICES ON THE FINANCIAL INSTRUMENTS MARKET

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1. GENERAL PROVISIONS

1.1. The purpose of the Policy for Prevention of Conflict of Interest (hereinafter referred to as the Policy) is to determine the requirements in accordance with which AS BlueOrange Bank (hereinafter referred to as the bank) shall identify, prevent and manage conflict of interest that occurs or may occur when it provides clients with investment services, non-core investment services or other services related to investment services. The Policy establishes the general procedure for resolving identified conflicts of interest and determines the procedure according to which Bank discloses information to clients about potential and existing conflicts of interest.

1.2. Management of conflict of interest shall be performed in order to ensure observance and protection of client interests, and ensuring best results for the client.

1.3. The provisions of the Policy shall serve as the basis for the applicable internal procedures and instructions of the Bank in order to ensure identification, prevention and management of conflicts of interest.

1.4. The Bank shall implement its Policy in accordance with the applicable regulatory enactments of the European Union and the Republic of Latvia, and in accordance with the Bank's Strategy and Articles of Association.

1.5. The definitions used in the Policy conform to those in the Financial Instrument Market Law.

1.6. At the Bank, measures for prevention of conflicts of interest shall be implemented by the structural units servicing clients' financial instrument accounts, as well as the Chief Compliance Officer, Investment Services Compliance Officer, the Brokerage Services Department, the Client Asset Management Department and the Financial Markets Department. The provisions of the Policy shall also be observed by Bank employees who inform clients about the Bank's services, provide investment advice (participate in development of issue prospectuses), provide support on investment banking issues, by employees of the Banking Operations Accounting Division of the Accounting Department, and by persons associated with the aforementioned employees.

1.7. The provisions of the Policy shall also be binding upon parties that might act as partners or outsourcing service providers that are involved by the Bank.

2. GUIDELINES FOR PREVENTION OF CONFLICT OF INTEREST

2.1 The concept and interpretation of a conflict of interest as specified in this Policy conform to the definition in Article 127 of the Republic of Latvia Financial Instrument Market Law.

2.2 The Bank is aware of the fact that conflicts of interest may arise between:

2.2.1. the client and the Bank;

2.2.2. the client and any person directly or indirectly linked to the Bank by control;

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2.2.3. the interests of the client and the Bank's employees;

2.2.4. interests of one client and another;

2.2.5. different structural divisions of the Bank, etc.

2.3 The Bank shall take every measure necessary in order to observe the interests of each specific client or group of clients, prevent potential conflicts of interest, and ensure fair treatment for all clients. When the Bank cannot fully mitigate conflicts of interest that arise, it shall disclose all information about a conflict of interest to the client or group of clients in a durable medium, and undertake activities to minimize the impact of the conflict of interest.

2.4 Administration of Conflict of interest shall consist of the following stages:

2.4.1. Conflict of interest identification;

2.4.2. Conflict of interest prevention;

2.4.3. Conflict of interest management;

2.4.4. Conflict of interest disclosure.

3. PROCEDURE OF IDENTIFYING CONFLICT OF INTEREST

3.1. In identifying potential conflicts of interest, the Bank shall evaluate:

3.1.1. Whether the Bank has a special interest in the outcome of a service provided to a client;

3.1.2. Whether the Bank's employee has a special interest in the outcome of a service provided to a client;

3.1.3. Whether the Bank is interested in executing the transactions of a client or clients without considering the interest of another client or clients, as a result of which such clients would not receive the best possible results;

3.1.4. Potential stimuli in the form of money, goods or services, or non-minor non-monetary benefits that do not constitute the standard fee normally received as payment for a service that is provided.

3.2. The Bank shall analyse the investment services and non-core investment services it provides and identify the conflicts of interest characteristic of each type of service. The Bank's employees shall take all necessary and reasonable measures in order to identify conflicts of interest characteristic for services provided as part of their professional activity.

3.3. The Bank shall classify the investment services it provides according to the following categories, determining potential sources of conflict of interest for each:

3.3.1. Brokerage services on the financial instruments market;

3.3.2. Brokerage services on foreign exchange markets and in transactions with derivatives;

3.3.3. Client asset management (trust, fiduciary services);

3.3.4. Investment advisory;

3.3.5. Initial placement of financial instruments (including initial placement of financial instruments of the Bank or its shareholders) related to other services mentioned in clause 3.2.

3.4. A conflict of interest may arise due to a number of causes, which include, but are not limited to the following:

3.4.1. in providing investment services, the Bank simultaneously acts as the buyer on behalf of the client and as the issuer of the relevant financial instrument;

3.4.2. in providing investment services, the Bank simultaneously acts as the buyer on behalf of the client and as the seller of the relevant financial instrument;

3.4.3. in providing investment services, the Bank simultaneously acts as the buyer on behalf of the client and as the seller on behalf of another client;

3.4.4. in managing funds or individual portfolios, the Bank invests in instruments or funds issued by the Bank or associated companies;

3.4.5. in providing services related to management of funds or individual portfolios, the Bank places an order with (transfers an assignment for execution to) an associated company;

3.4.6. providing advice or services to one client related to organisation and distribution of an issue of securities while simultaneously providing advice or services to another client related to the same issue;

3.4.7. in giving advice to clients on investment services;

3.4.8. in cases where employees execute personal transactions (including performance of personal transactions before a client's transaction (front running), receiving benefits from the Bank's counterparties etc.);

3.4.9. if, upon initial placement of financial instruments, the Bank offers such financial instruments to its clients (including within the framework of trust management);

3.4.10. during provision of certified adviser services on the First North market.

3.4.11. in other cases where the Bank or another group company, employee or official is interested in the provision of an investment service.

3.5. A conflict of interest exists whenever the Bank executes an order or makes a decision on a specific transaction based not only on objective considerations but also on any considerable material influence (excluding minor non-monetary benefits) from the interests of the Bank, the Bank's employee, any other person directly or indirectly linked to the Bank by control, any counterparty, or another client.

3.6. A substantial source of conflict of interest for the Bank is any third party receipt or provision of any payments or other benefits linked to a service rendered to a client (inducements). The Bank shall provide or receive inducements only in cases where such inducement would facilitate, or be necessary for, the provision of a specific service to the client, and which subsequently could not, in essence, present any conflict with the Bank's duty of fair, good-faith, professional operation in the interest of its client.

4. PREVENTION OF CONFLICT OF INTEREST

4.1. In order to prevent conflict of interest the Bank shall:

4.1.1. not receive any remuneration, discount or non-monetary benefit for routing Client orders to any particular trading venue or execution venue;

4.1.2. return to the Client any and all inducements, i.e. fees, commissions and any monetary benefits paid or provided by a third party (that could be considered as inducements) as soon as possible after receiving such inducements those payments or shall not accept such inducements in case the Bank is providing portfolio management or investment advisory services;

4.1.3. not accept any non-minor non-monetary benefits that could be considered as inducements;

4.1.4. not receive any third party investment research that could be considered as inducements, if such investment research is not publicly available;

4.1.5. adhere to Nasdaq Riga restrictions during provision of certified adviser services on the First North market.

4.2. In cases where the Bank arranges initial placement of financial instruments, the Bank shall:

4.2.1. not promote the interests of other clients or the investment firm's interests, in ways that conflict with the issuer client's interests;

4.2.2. not be inappropriately influenced by any existing or future business relations;

4.2.3. not allocate securities to incentivise the payment of a large amount of fees for unrelated services provided by the investment firm (laddering);

4.2.4. not allocate securities to a senior executive or a corporate officer of an existing or potential issuer client, in consideration for the future or past award of corporate finance business (spinning);

4.2.5. not allocate securities in a way that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from the investment firm by an investment client, or any entity of which the investor is a corporate officer.

5. MANAGEMENT OF THE IMPACT OF CONFLICT OF INTEREST

5.1 Where a conflict of interest is unavoidable, the Bank shall implement the following conflict of interest management activities:

5.1.1. the Bank shall implement a Code of Corporate Ethics Standards in its activities; its principles are included in internal regulations of the Bank – the Bank shall operate in accordance with high standards of honesty and fair business practice, with appropriate conduct in relations with its clients and ensuring that the Bank's employees observe high standards of ethical behaviour in fulfilment of their official duties;

5.1.2. The Bank shall ensure an organisational structure and division of responsibilities to establish an environment for prevention of conflict of interest. These measures shall include distribution of subordination and the simultaneous and sequential involvement of specific employees in providing or processing specific services;

5.1.3. The Bank shall ensure the division of the information processing and information flow so that provision and processing of specific services are isolated, and both physical and logical barriers exist for exchange of information that may cause a conflict of interest;

5.1.4. The Bank shall manage the layout of employees workspaces in such a manner that information is isolated and so that employee access to information which may cause a conflict of interest and is being prepared or processed by another employee is restricted;

5.1.5. The Bank shall develop and introduce the necessary procedures determining the procedure for employees executing personal transactions with financial instruments, envisaging provisions for disclosure (announcement) of information according to best practice, the acceptance/approval procedure for such transactions, potential restrictions on transactions with financial instruments;

5.1.6. the Bank shall refuse to provide an investment service to a Client if the conflict of interest may impair the reputation of the Bank or substantial interests of its Clients;

5.1.7. The remuneration policy for the Bank's employees shall enforce an essential principle of conflict of interest management – envisaging adequate, reasonable and sufficient payment for services provided professionally by an employee so that compensation stimulates employees to avoid conflicts of interest and to undertake the activities necessary in order to achieve the best results for the client;

5.1.8. Conflict of interest management measures shall include regular monitoring of transactions in order to not only discover dishonest or manipulative transactions but also to review completed transactions and determine whether the best results have been achieved for the client, whether the transactions there are executed adequately for the client, whether information about conflicts of interest has been disclosed and measures have been taken to mitigate such conflicts of interest (Compliance monitoring function);

5.1.9. An essential measure for management of conflict of interest is the provision of information regarding the essence and cause of a conflict of interest to clients of the Bank prior to commencing provision of investment services, as well as during provision of investment services. Responsible executives of the Bank shall verify that a client is provided comprehensive, objective and correct information about potential conflicts of interest;

5.1.10. An essential measure for management of conflict of interest shall be training of Bank employees and improvement of their professional qualification, during which Bank employees shall be educated about the principles of ethical conduct, conflict of interest prevention principles and measures, and measures for achieving the best results for the client.

6. DISCLOSURE OF CONFLICT OF INTEREST

6.1 Where the effective organisational and administrative arrangements established by the Bank to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented, disclosure to the Client is used as a measure of last resort.

6.2 An employee of the Bank providing investment services to the client shall be obliged to take measures to prevent conflict of interest. If a conflict of interest cannot be prevented, the obligation of the Bank employee shall be to disclose, in a format that can be saved, the general nature of the applicable conflict of interest, its causes, and risks that arise for the client as a result of the conflict of interest, as well as the measures that have been taken in order to mitigate the risks, so as to allow the client to make a decision according in their own best interest.

6.3 An employee of the Bank providing investment services to the client shall, if possible, notify the client about their right to decline a transaction that poses a conflict of interest, unless the impact of the conflict of interest can be minimised by other means.

6.4 The Bank shall document cases and keep records of conflict of interest cases, including archival of information regarding the means of disclosure of conflict of interest and the content of such announcements. The documentation and archival provisions shall be specified in the procedures for relevant services;

6.5 Employees of the Bank shall notify the Bank's management about cases where a conflict of interest is identified.

7. UPDATING THE POLICY

7.1. The Policy shall be updated in accordance with internal control system procedure and in compliance with amendments to applicable legislation at least annually.

7.2. The Board of the Bank shall be entitled to make amendments to the Policy and propose the amendments for approval to the Council of the Bank.

7.3. The Council of the Bank shall review the Policy at least once per year, evaluating its relevance, and shall approve it.

7.4. Amendments to the Policy shall be published on the Bank's website and shall take effect from the date of such placement.

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