



## **Policy on Conflicts of Interest Management**

Internal policy aimed at identifying, preventing, containing and managing conflicts of interest in the provision of investment and/or ancillary services, equity investments and transactions with Connected Parties

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# 1 Introduction

The purpose of this document is to illustrate the approach to conflicts of interest adopted by Banca Generali (hereinafter the "Bank").

By law, in the provision of investment services and activities and ancillary services, intermediaries are required to:

- adopt all measures to identify and prevent or manage conflicts of interest that may arise between the intermediary, including its executives, employees and tied agents and persons directly or indirectly connected to it and their clients or between two clients at the time of provision of any investment service or ancillary service or combination of such services;
- maintain and apply effective organisational and administrative provisions in order to adopt all reasonable measures designed to prevent conflicts of interest from adversely affecting their clients' interests;
- where the organisational and administrative provisions adopted are not sufficient to ensure, with reasonable certainty, that the risk of harming clients' interests will be avoided, inform clients clearly, before acting on their behalf, of the general nature and/or sources of the conflicts of interest and the measures adopted to mitigate the associated risks;
- maintain and update regularly a register containing the types of investment or ancillary services or investment activities performed by the company or on its account, for which a conflict of interest that risks harming the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

In view of the above, more particularly, this document aims to illustrate the general types of conflicts of interest connected to the Banking Group's current structure and the activities and/or services rendered by the entities belonging to it, as well as the measures adopted to prevent conflicts of interest and manage cases capable of harming clients.

This document also includes the provisions on conflicts of interest relating to insurance investment products, taking account of what is stated in the relevant legislation regarding identifying and preventing conflicts of interest associated with the distribution of insurance investment products.

The rules on conflict of interest management adopted by the Bank and the Banking Group companies are based on four basic principles:

- a duty to identify the specific circumstances in which a conflict of interest detrimental to one or more clients arises or could arise during the performance of investment services and activities and ancillary services;
- a duty of organisation (organisational measures and procedures for managing the conflicts of interest identified);

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- a duty of disclosure (if the organisational and administrative measures adopted to manage certain types of conflicts of interest are found to be unsuited to sufficiently avoiding the risk of harm to clients' interests with a reasonable degree of certainty, clients should be given, before effecting any transactions on their behalf, clear information regarding the nature and/or source of the conflicts of interest in question and the measures adopted to mitigate the related risks, so as to enable them to make an informed decision);
- a duty to act honestly and fairly.

## 2 References to statutory and regulatory provisions

The main regulatory sources of this document are:

- Directive No. 2014/65/EU (MiFID 2);
- Commission Delegated Regulation (EU) 2017/565;
- Commission Delegated Regulation (EU) 2017/2359;
- Italian Legislative Decree No. 58/1998 (TUF);
- Intermediaries Regulation in force from time to time;
- Directive (EU) 2016/97 of 20 January 2016 (Insurance Distribution Directive – IDD);
- Prudential Supervisory Provisions for Banks – Bank of Italy Circular No. 285 of 17 December 2013, as subsequently updated.

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### 3 Relationship to other documents

This document has been drawn up in accordance with other rules issued by the Bank in compliance with regulatory requirements regarding the provision of investment and/or ancillary services, as well as other general provisions. This document lays down additional rules of conduct to be followed by all staff pursuant to the Group's internal and external regulatory requirements.

In detail, these rules consist of corporate governance documents, regulations and delegated powers, codes of conduct, policies, internal circulars, operating procedures, operating workflow and flowchart processes, and formalised processes.

### 4 Definition of conflict of interest

Intermediaries maintain and apply effective organisational and administrative provisions in order to adopt all reasonable measures designed to prevent conflicts of interest from adversely affecting their clients' interests.

In accordance with the Delegated Regulation (EU) 2017/565, for the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client, investment firms shall take into account, by way of minimum criteria, whether the investment firm or a relevant person, or a person directly or indirectly linked by control to the firm, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- a) the firm or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- b) the firm or that person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- c) the firm or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- d) the firm or that person carries on the same business as the client;
- e) the firm or that person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

In addition, in accordance with the Delegated Regulation (EU) 2017/2359, insurance intermediaries shall take into account — by way of minimum criteria to assess whether they, a relevant person or any person directly or indirectly linked to them by control have an interest in the outcome of the insurance distribution activities distinct from the customer's or potential customer's interest in the outcome of the insurance distribution activities and/or the said interest has the potential to influence the outcome of the distribution activities to the detriment of the customer — the following situations:

- a) the insurance intermediary or insurance undertaking, a relevant person or any person directly or indirectly linked to them by control is likely to make a financial gain, or avoid a financial loss, to the potential detriment of the customer;
- b) the insurance intermediary or insurance undertaking, a relevant person or any person directly or indirectly linked to them by control has a financial or other incentive to favour the interest of another customer or group of customers over the interest of the customer;
- c) the insurance intermediary or insurance undertaking, a relevant person or any person directly or indirectly linked by control to an insurance intermediary or an insurance undertaking is substantially involved in the management or development of insurance-based investment products, in particular where such a person has an influence on the pricing of those products or their distribution costs.

In light of the above, the conflicts of interest identified in this Policy with regard to the provision of investment and/or ancillary services and the distribution of insurance investment products represent situations in which, at the time the said services and/or other activities, or a combination thereof, are rendered, the investor's interest could be damaged to the benefit of the investment firm, its executives, employees, or tied agents, or to the benefit of another client.

In order to identify conflicts of interest, all the relevant staff and their respective managers must take into account whether the Bank or a Relevant Person (or persons linked thereto by a relationship of direct or indirect control):

- could secure a financial benefit or avoid a financial loss, to the detriment of the client; for the intents and purposes of this Policy, a conflict of interest cannot be deemed to arise, on the one hand, merely because the Bank or one or more of the other persons mentioned above could secure a benefit, unless, at the same time, there is a material risk of damage to client's interests, or on the other, only on the grounds that a benefit could accrue or a loss be avoided for a client towards which the Bank has obligations, unless, at the same time, there is a material risk that another client could sustain losses as a result thereof;
- held an interest in the outcome of the service rendered to the client that is distinct from the client's interest.

The regulatory provisions concerning risk assets and conflicts of interest with respect to Connected Parties (Part III, Chapter 11, of Bank of Italy Circular No. 285/2013, as subsequently updated) aim to monitor instead the risk that the closeness of certain parties to the Bank's decision-making centres could compromise the objectivity and impartiality of decisions regarding the transactions involving the said parties, and potentially create distortions in the resource-allocation process, exposing the Bank to risks that are not adequately measured or controlled, including possible conflicts of interest, and/or resulting in harm and losses to depositors and shareholders.

In pursuit of this objective, the term "Related Parties" refers to, first and foremost, the company's top management, main shareholders and other persons in a position to influence the management of the Bank or the Banking Group, in light of their ability to exercise control, either individually or jointly with other parties, or a significant influence. Conflicts of interest might emerge even in connection with enterprises, especially industrial ones, which are controlled or undergo significant influence, in respect of which the Bank is significantly exposed in terms of loans and/or equity investments.

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In order to monitor the aforementioned conflicts, applicable regulations set forth prudential limits applicable to the risk assets of a bank or banking group in relation to Connected Parties, and define specific provisions concerning organisational structures and internal control processes. In detail, the latter shall:

- ensure constant observance of prudential limits and approval procedures set by the regulations,
- pursue the aim of also preventing and properly managing potential conflicts of interest pertaining to all transactions with Connected Parties, in compliance with the principle of sound and prudent management.

The Provisions require the identification of the sectors of activity and types of dealings of an economic nature, including those that do not entail the assumption of risk assets, in relation to which conflicts of interest may arise, on the basis of the operating characteristics and strategies of the Bank and the Group. All the staff in charge and their respective managers must identify and constantly update the operating areas, i.e., the types of transactions that entail the assumption of risk assets or the transfer of resources, services or obligations, regardless of whether consideration is provided for, specifying those in relation to which conflicts of interest may arise, as described in this Policy.

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## 5 Identification of Relevant Persons

According to Commission Delegated Regulation (EU) 2017/565, “Relevant Person” means any of the following:

- a director, partner or equivalent, manager or tied agent of the firm;
- a director, partner or equivalent, or manager of any tied agent of the firm;
- an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under the control of the firm or a tied agent of the firm and who is involved in the provision by the firm of investment services and activities;
- a natural person who is directly involved in the provision of services to the investment firm or to its tied agent under an outsourcing arrangement for the purpose of the provision by the firm of investment services and activities.

As a general rule, each Relevant Person is bound to disclose to the Head of the Operating Unit in which such Relevant Person serves any and all situations that could, albeit only potentially, generate a new conflict of interest, or warrant a change in the Bank’s mapping of conflicts of interest (Attachment 1), or otherwise cast doubt on the effectiveness of the Bank’s administrative and organisational arrangements and measures for conflict of interest management.

## 6 Identification of Connected Parties

The Prudential Supervisory Provisions for Banks (Part III, Chapter 11 of Bank of Italy Circular No. 285/2013, as subsequently updated) identify Connected Parties as the combination of a Related Party and all parties connected to that Related Party.

## 7 Compliance Function

Within the context of the specific tasks identified in this Policy, the responsibilities of the Compliance Function in respect of conflicts of interest include:

- providing information to Relevant Persons;
- receiving reports of potential conflicts of interest from the Heads of Operating Units, in accordance with the reporting and forwarding procedures set forth in section “Organisational model for conflicts of interest management” below;
- managing the Conflicts of Interest Register. The Compliance Function is entrusted with establishing and regularly updating a register containing the types of investment services rendered by the company or on its behalf, for which a conflict of interest that risks harming the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise. Similarly, the Compliance Function, with the collaboration of the Relevant Function, is tasked with

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maintaining and updating a register of transactions in which a conflict of interest may arise with Connected Parties;

- reporting, at least annually, to the Board of Directors and also to the Board of Statutory Auditors in respect of newly identified conflicts of interest and recommendations for the management thereof.

## 8 Notice for Personnel

This Policy lays out binding rules for all Personnel. Accordingly, the Policy, as updated, is available to all staff via the company Intranet and to the sales network with appropriate notice from the relevant organisational units.

## 9 Group Operating Model

The Banca Generali Group is an international banking group with an integrated, multipurpose corporate structure that may be broken down as follows:

1. a parent bank, Banca Generali S.p.A., authorised to engage in banking activities and render investment and/or ancillary services and tasked with functions including control, policy making and coordination;
2. subsidiaries:
  - Generfid S.p.A.
  - BG Fund Management Luxembourg S.A
  - BG Valeur S.A.
  - Nextam Partners SIM S.p.A.

In order to identify the circumstances that could give rise to a conflict of interest in the provision of investment and ancillary services, as defined in Regulation (EU) 2017/565, Article 21 of TUF and the Intermediaries Regulation, all the investment and ancillary services rendered by each and every Banca Generali Group entity were mapped with a view to determining whether or not providing the said services could be in conflict with the client's interests, taking due account of the other activities undertaken by the said group entities.

In order to identify conflicts of interest that may arise between the Bank, including its executives and employees, or any person directly or indirectly controlled, and its clients or between two clients upon the performance of any insurance distribution activity, as provided for in Regulation (EU) No. 2017/2359 and the Intermediaries Regulation, it was assessed whether the performance of insurance investment product distribution activity might be in conflict of interest with the client's interests.

Similarly, in order to identify all transactions with Connected Parties that may lead to conflicts of interest and pursuant to regulations concerning the supervisory rules on risk assets and conflicts of interest with respect to such Parties, the sectors of activity and types of dealings of an economic nature in relation to which conflicts of interest may arise were identified, including those that do not entail the assumption of risk assets.

## 9.1 Services rendered and activities undertaken by the Banca Generali Group

A significant number of potential conflicts of interest could arise from the Group's multipurpose structure, outlined above<sup>1</sup>.

The table below summarises the investment, and ancillary services, investment activities and banking services rendered by the Banca Generali Group through its Group entities, whilst also outlining situations that could give rise to conflicts of interest potentially detrimental to the client:

Type	Detail
<b>Investment services</b>	<ul style="list-style-type: none"> <li>▪ Receipt and forwarding of orders</li> <li>▪ Execution of orders on behalf of clients</li> <li>▪ Trading for own account</li> <li>▪ Underwriting of financial instruments and/or placement of financial instruments on the basis of a firm commitment</li> <li>▪ Placement of financial instruments without a firm commitment</li> <li>▪ Portfolio management</li> <li>▪ Investment advice/investment advice preliminary to execution services involving cash and financial instruments held with third-party intermediaries</li> </ul>
<b>Ancillary services</b>	<ul style="list-style-type: none"> <li>▪ Foreign exchange services, where it is connected to the provision of investment services</li> <li>▪ Financial instrument custody and administration</li> <li>▪ Services related to direct underwriting</li> <li>▪ Granting of financing or loans to investors to undertake transactions in one or more financial instruments that entail the involvement of the lender</li> <li>▪ Investment research and financial analysis or other forms of general advice on financial instruments.</li> </ul>
<b>Collective investment management services</b>	<ul style="list-style-type: none"> <li>▪ UCITS management.</li> </ul>
<b>Banking services/activities/other situations relevant to identifying conflicts of interest</b>	<ul style="list-style-type: none"> <li>▪ Lending and opening of credit lines (banking activity)</li> <li>▪ Net inflows generated by the issue of own instruments</li> <li>▪ Distribution of insurance investment products</li> <li>▪ Holding of equity investments in issuers/promoters of financial instruments</li> <li>▪ Provision of services to issuers of financial instruments</li> <li>▪ Relevant Persons who occupy top management positions or acquire relevant equity investments in issuers of financial instruments.</li> </ul>

The table below summarises the operating areas the Group identified and the type of transactions which may lead to conflicts of interest in relation to Connected Parties.

<sup>1</sup> Save where otherwise specified, the term "Group" refers to the Banking Group.

Operating areas	Types of transactions
Agreements/contracts to purchase goods and/or services	Agreements to purchase goods or provide services
	Agreements to purchase goods or provide IT services
	Other marketing/publishing expenses
	Sale/purchase of commercial/advertising spaces
	Outsourcing agreements
	Agreements on the distribution/placement of products and services
	Insurance policies entered into
	Consultancy services received
	Sponsorships
Loan assets	Guarantees
	Consumer credit
	Cash loans and similar loans
	Foreign loans
	Special condition loans
	Loans (including changes in the amount loaned, assumptions, substitution, subrogation)
	Substandard positions
	Bad loans
Proprietary finance	Proprietary trading of financial instruments
Treasury management	Foreign exchange treasury
Equity investment management	Purchase/sale of equity investments
	Extraordinary transactions (sale of business units, etc.)
	Extraordinary transactions (mergers/de-mergers and capital increases through contributions in kind)
Property transactions	Property lease/rent
Direct inflows	Certificates of deposit
	Term deposits
	Subordinated loans
	Repurchase agreements
Banking and payment services	Current account agreement
Client investment services	Managing agreements concerning the rendering of investment services and the receipt and forwarding of orders
	Trading for own account
	Placement with/without firm commitment
	Asset management
	Security deposit management
	Financial advisory
Trust services	Financial services: administration in trust of securities and other moveable property and management of various related obligations (e.g., role of withholding agent, posting of collateral, etc.)
	Company services (i.e., trust holding of equity investments in the formation of companies)
	Specialised services: support with complex transactions through trusts and escrow agreements.

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## 10 Methods used to identify conflicts of interest

The methods adopted in identifying potential conflicts of interest may be summarised as follows:

**1. Identification of potential conflicts of interest arising in the course of providing investment services or distribution of insurance investment products or ancillary services, or a combination thereof, by the Banking Group companies**

In order to identify the possible cases of conflict of interest arising in the course of providing investment and/or ancillary and/or other activities, all potential conflicts of interest the Bank could possibly incur in light of the services rendered and activities undertaken were mapped for each of the broad categories defined under the regulatory framework (cf. Paragraph 4 above).

With a view to defining the possible cases of conflict of interest arising in the course of transactions with Connected Parties, all potential conflicts of interest the Bank could possibly incur in light of the activities undertaken were mapped.

**2. In the interests of greater correctness and completeness, the Bank has also taken into account conflicts of interest arising in respect of:**

- Relevant Persons;
- organisational structure;
- remunerative relationships.

## 11 Identification of situations giving rise to conflicts of interest and related management measures

Banca Generali has identified the types of conflicts of interest according to the methods indicated above, identifying and adopting the related management methods.

Where the management measures adopted for certain conflicts arising from the provision of any investment service, ancillary service or combination of such services are not believed to be completely sufficient to ensure avoiding the risk of harming the client's interests, adequate client disclosure will be made.

The organisational and operating structure has been adopted on the basis of the general and specific conflict of interest management measures illustrated in the following paragraphs.

### 11.1 General management measures

- **Information barriers**

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The Bank adopts measures designed to prevent the exchange of information between relevant persons engaged in activities that entail the risk of a conflict of interest, where the exchange of such information may harm the interests of one or more clients. As a general rule, information and documents pertaining to activities in conflict shall not be made available to personnel in charge of other activities; this prohibition may only be lifted under prior authorisation from the managers involved and only for specific, well-substantiated reasons. In particular, mention should be made of the need that information regarding the Bank's proprietary trading activity and placement activity (with underwriting) not be available to operating units that provide investment services to clients (order execution, order receipt and transmission, portfolio management, advisory).

- **Measures aimed at eliminating or containing undue influence**

The Bank has established a general restriction on any person exercising an undue influence on the manner in which another Relevant Person carries out investment services, ancillary services or investment activities. Any and all Relevant Persons who feel they have been subjected to undue influence in the performance of their assigned tasks may report the same, including in anonymous form, to the Compliance Function.

- **Separate supervision** of Relevant Persons whose main functions entail the performance of activities on behalf of clients or the provision of services to clients with interests in potential conflict or that otherwise represent other interests in potential conflicts, including those of the company.

The persons involved in activities that could give rise to conflicts of interest are hierarchically answerable for their actions to separate managers, without prejudice to the ultimate responsibility of the Bank's top management and the overall business operations. Each of the Bank's business areas is, in fact, placed under the responsibility of a different manager, who reports directly to the Bank's top management.

- **Remuneration and incentive system**

The Bank has established rules and organisational measures designed to eliminate all direct ties between the remuneration of Relevant Persons who primarily engage in an activity and the remuneration of, or incomes generated by, other Relevant Persons who primarily engage in another activity, where a conflict of interest may arise in connection with such activities.

- **Coverage of roles and participation**

The Bank has established measures designed to prevent or control simultaneous or consecutive participation of a Relevant Person in distinct investment services or ancillary services or investment activities, where such participation may be detrimental to the proper management of conflicts of interest.

- **Insider Register and internal dealing rules**

Pursuant to applicable regulatory requirements, the Bank has established specific rules governing the circulation of inside information, the management of the Insider Register, as well as the management of transactions involving shares issued by the Bank. These rules, which are hereby integrally referred to, are also intended to reinforce the Bank's procedures for managing conflicts of interest.

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## 11.2 Specific management procedures

- **Assessment of the appropriateness of transactions ordered**  
With regard to the provision of investment services, the Bank has introduced a specific appropriateness/adequacy assessment model. Moreover, the client's decision to avail of the advisory service, or the mere issue of sufficient information, renders the Bank duty-bound to also assess the appropriateness of transactions ordered by the client. If the Bank classifies a transaction as "inappropriate", the client will not be allowed to execute the transaction.  
The Bank also conducts a periodic assessment, on at least an annual basis, of the adequacy of the client's financial portfolio with respect to the client's financial profile, taking the appropriate actions in the event of inappropriateness.
- **Best Execution**  
As required under current regulations, the Bank has implemented organisational measures aimed at ensuring that orders are executed or forwarded at the most favourable terms for the client.
- **Internal Code of Conduct**  
Banca Generali has adopted an Internal Code of Conduct, which it has updated from time to time in consideration of the needs dictated by changes to existing regulations and organisational changes within the Company. Without prejudice to the provisions of laws and regulations, the Code, with additional operating rules, lays down the rules of conduct which the members of administrative and control bodies, employees and Financial Advisors are required to comply with in the provision of banking and investment services.
- **Investment portfolio management process**  
The Company has defined a decision-making process for laying down and monitoring management strategies, asset allocation and investment decisions, and control of the same.
- **Operating limits**  
The Bank has established operating limits on the inclusion of financial instruments in potential conflict of interest amongst assets under management.
- **No rebates**  
With regard to the provision of portfolio management services, the Bank has introduced the prohibition of the collection of fees by the UCITS included in the portfolios managed, unless customers receive them.
- **Equity investment management policy**  
The Bank has drawn up this Policy with the aim of establishing transparent, detailed rules governing the methodological approach and operating model it has adopted for investment and management of its equity investments and those of Banking Group companies.  
In relation to the activity performed in the equity investment segment and to the strategies of the Bank and the Group, the Policy also contemplates banking activities that may result in conflicts of interest in the management of the Bank's

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equity investments (the granting of credit facilities in any form; participation in placement and guarantee consortia; and strategic supply arrangements).

- **Procedure for Related Party and Connected Party Transactions**

The Bank has formalised the above Procedure, approved by the Board of Directors, in order to ensure that transactions with Related Parties and Connected Parties undertaken directly or through subsidiaries are carried out in accordance with the principles of transparency and substantial and procedural propriety, thereby preventing possible conflicts of interest that may arise in cases where transactions are concluded with Connected Parties.

In this context, the Bank has also adopted internal policies governing controls of risk assets and conflicts of interest in relation to Connected Parties and implemented a dedicated software application intended to support integrated management of transactions with Related Parties and Connected Parties.

## 12 Conflicts of Interest Register

Commission Delegated Regulation (EU) 2017/565 and Commission Delegated Regulation (EU) 2017/2359 require the Bank to keep and regularly update a record of “the kinds of investment or ancillary service or investment activity carried out by or on behalf of the firm in which a conflict of interest entailing a risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise”.

The said conflicts of interest register shall be managed and maintained by the Bank’s Compliance Function.

Similarly, all circumstances that may give rise to conflicts of interest identified as per Circular 285/2013 (“Prudential Supervisory Provisions for Banks”) shall also be digitally recorded.

## 13 Updating procedures

The document is subject to periodic updating by the relevant corporate structures, in accordance with the procedures set forth in Paragraph 15 below.

## 14 Management of client requests for further information

In accordance with Commission Delegated Regulation (EU) 2017/565, intermediaries are bound to provide “*at the request of the client, further details of that conflicts of interest policy in a durable medium or by means of a website (where that does not constitute a durable medium)*”.

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The Compliance Service has been placed in charge of answering, in a durable medium, client requests for further information on the Bank's conflict of interest management.

## **15 Organisational Model for Conflict of Interest Management**

### **15.1 Goals of the Organisational Model**

The Organisational Model for Conflict of Interest Management is aimed at:

- assigning responsibility for the Organisational Model for Conflict of Interest Management;
- defining procedures for updating the conflicts of interest identified;
- identifying conflict owners for the reporting of actual conflicts of interest;
- summarising the procedure for discharging disclosure obligations towards clients;
- illustrating operating steps for the management of client requests for further information concerning the policy on conflict of interest management.

### **15.2 Procedures for updating the conflicts of interest identified**

The conflicts of interest identified and the ensuing assessment of the measures in place to manage them (as described in the internal Policy) may be updated in light of organisational and/or regulatory changes.