

## Conflict of Interest Policy

## Conflict of Interest Policy

### Content

1. INTRODUCTION.....	3
2. SCOPE.....	3
Objective scope of application.....	3
Subjective scope of application.....	3
3. LEGAL FRAMEWORK.....	3
4. DEFINITIONS.....	4
5. DESCRIPTION OF SITUATIONS THAT MAY GENERATE A CONFLICT OF INTEREST.....	4
6. MEASURES ESTABLISHED FOR THE MANAGEMENT OF CONFLICTS OF INTEREST.....	6
7. PROCEDURE FOR THE RESOLUTION OF IDENTIFIED CONFLICTS OF INTEREST.....	9
8. PROCEDURE FOR RECORDING SERVICES OR ACTIVITIES THAT GIVE RISE TO CONFLICTS OF INTEREST.....	9
9. COMMUNICATION AND WARNINGS TO CUSTOMERS REGARDING CONFLICTS OF INTEREST.....	10
10. TRAINING ON CONFLICTS OF INTEREST.....	10
11. REVIEW, MODIFICATION AND APPROVAL OF THE POLICY.....	10

## 1. INTRODUCTION

In accordance with the regulatory framework introduced by Llei 17/2019, del 15 de febrer, de modificació de la Llei 8/2013, del 9 de maig, sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera (Law 17/2019, of 15 February, amending Law 8/2013, of 9 May, on the organisational requirements and operating conditions of operational entities in the financial system, investor protection, market abuse and financial guarantee agreements), hereinafter referred to as "Law 8/2013", the operational entities of the financial system that provide investment services are obliged to adopt effective measures that guarantee the protection of their clients. In accordance with this obligation, any conflict or potential conflict of interest that may arise in relation to the activity of Andorra Banc Agricol Reig S.A. (hereinafter referred to as "Andbank" or "the Bank") can be detected and avoided or, in any case, managed correctly if it is not possible to eliminate the conflict.

Through this Conflict of Interest Policy, Andbank aims to identify circumstances which may give rise to actual or potential conflicts of interest and the procedures to be followed for their proper management.

In this regard, all necessary steps will be taken to act in the best interest of our clients and to offer them maximum protection. The rationale for the Policy can be summarised as follows:

- The identification of conflicts
- Prevention
- Management
- Recording
- The elimination of existing, potential and future conflicts of interest
- Communication and information to the client when necessary

It should be noted that this Conflict of Interest Policy is complemented by other internal policies and procedures containing regulations for specific areas, and that it provides only a general framework for action with regard to the identification, prevention and management of conflicts of interest related to the provision of investment and ancillary services.

## 2. SCOPE

### Objective scope of application

The Policy will apply to all those services, activities, departments and areas of Andbank related to the provision of investment services. In particular, it will affect all those departments, areas or working groups which, because of the services and activities they carry out, have the status of a separate area, as defined in Andbank's internal rules and procedures.

### Subjective scope of application

The Policy shall apply to all Affected Persons, as defined in the "Definitions" section.

## 3. LEGAL FRAMEWORK

The legal framework to which this policy conforms is as follows:

- Llei 8/2013, del 9 de maig, sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de

garantia financera (Law 8/2013, of 9 May, on the organisational requirements and operating conditions of operational entities in the financial system, investor protection, market abuse and financial guarantee agreements).

- Llei 17/2019, del 15 de febrer, de modificació de la Llei 8/2013 (Law 17/2019, of 15 February, amending Law 8/2013).
- Reglament de desenvolupament de la Llei 8/2013, del 9 de maig, sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera (Regulation implementing Law 8/2013, of 9 May, on the organisational requirements and operating conditions of operational entities in the financial system, investor protection, market abuse and financial guarantee agreements).

#### 4. DEFINITIONS

- **"Policy"** shall mean Andbank's Conflict of Interest Policy.
- **"Group"** shall mean the Andbank Group.
- **"Company, Bank or Andbank"** shall refer to Andorra Banc Agricol Reig, S.A.
- **"Affected Persons"** shall mean all employees of Andbank, including all staff under contract, subcontractors, associated agents, managers and members of the Board of Directors.
- **"Separate Areas"** shall mean the departments, areas or working groups that carry out activities related to the markets that may have privileged information. These areas must be separated.
- **"Related Persons"** shall mean the following persons:
  - a) Persons with a relationship up to the first degree with an Affected Person, by blood or marriage (ascendants, descendants and spouses or persons united by a relationship of similar effect) in accordance with current legislation, as well as the children of the spouse or common-law partner of the Affected Person, provided that they are minors and share a home with that person.
  - b) Any legal entity, trust or association in which the Affected Person or the persons mentioned in the previous paragraph hold a management position, or which is directly or indirectly controlled by such person or which has been created for his or her benefit or whose economic interests are largely equivalent to those of such person. It is understood that there is control over any legal entity when:
    - 20% or more of the voting rights or capital of the entity is held directly or indirectly, or through a control relationship, or
    - One of the following requirements is met:
      - i. they hold the majority of the voting rights;
      - ii. they have the power to appoint or remove the majority of the members of the administrative body;
      - iii. a majority of the voting rights may be obtained under agreements concluded with third parties;
      - iv. the majority of the members of the administrative body have been appointed.

#### 5. DESCRIPTION OF SITUATIONS THAT MAY GENERATE A CONFLICT OF INTEREST

The following situations can be identified as generating conflicts of interest:

- Conflicts between the interests of Andbank and the interests of its clients: i.e. situations in which for some reason Andbank prioritises its own interests above those of its clients. A typical case of this conflict of interest is that of third-party incentives received by the advisory service.
- Conflicts between the interests of Andbank's employees and the interests of its clients: i.e. potential situations in which the professional tasks performed by Affected Persons are not aligned to act in the best interests of their clients, such as direct remuneration practices to managers which may involve risk of malpractice in sales, or, when faced with potentially beneficial investment opportunities, the manager first executes personal transactions on such an opportunity and then trades on behalf of his or her client.
- Conflicts between the interests of two or more Andbank clients: a client's interests may occasionally conflict with those of another client, for example, in situations where the Bank has the potential to be detrimental to one client over another (allocation of orders to several client accounts during a high potential but limited investment opportunity).
- Conflicts between different Group entities: i.e. situations in which the interests of other Group entities may have an influence on the provision of investment services to clients by putting the entities' interests first.
- Conflicts between different Andbank areas, departments or working groups: i.e. situations in which, within Andbank, due to the different activities carried out by each area, conflicts may arise which mean that a particular area does not act objectively.
- Conflicts between Andbank and other investment service companies: i.e. situations in agreements or relationships with other investment service companies may have an influence on the provision of investment services to the Bank's clients by putting their own interests first.
- For the purpose of listing the types of conflicts of interest which may arise in the provision of investment or ancillary services, or a combination of both, which may be found to be detrimental to a client's interests, consideration should be given at least to whether Andbank or any of the persons covered by the Policy are in any of the following situations, whether as a result of providing investment or ancillary services, performing investment activities, or otherwise:
  - Andbank or the Affected Person may obtain a financial benefit, or prevent a financial loss, at the expense of the client.
  - Andbank or the Affected 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 that is different from the client's interest in the outcome.
  - Andbank or the Affected Person has financial or other incentives to favour the interests of another client or group of clients over the interests of the client.
  - Andbank or the Affected Person carries out the same activity as the client.
  - Andbank or the Affected Person receives or is going to receive from a person other than the client an incentive related to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for this service.

There is no conflict of interest if a profit is made or a loss is avoided if this does not result in a possible detriment to a client. Similarly, the risks of being detrimental to one or more clients need not materialise; the existence of a risk of damaging clients' interests in itself requires the application of this policy.

The first line of defence, the areas that perform investment services or are related to the stock markets, shall be responsible for identifying potential conflicts of interest and, through the established channels, will inform the Compliance Department via email, at [Dept.compliance@andbank.com](mailto:Dept.compliance@andbank.com), of the measures that will be taken to protect the interests of the clients. In the event of detected incidents, these will be reported to the Compliance Committee and the Ethics and Compliance Committee.

## 6. MEASURES ESTABLISHED FOR THE MANAGEMENT OF CONFLICTS OF INTEREST

Once the situations that may generate potential conflicts of interest have been identified, and it has not been possible to prevent their existence, the measures that Andbank has established to manage these potential conflicts and, in a reasonable manner, avoid the risk of affecting the interests of its clients are included below.

In this regard, it should be noted that Andbank has developed internal procedures containing measures to prevent and/or manage conflicts of interest (e.g. Code of Conduct and Global Business Principles).

Without prejudice to the foregoing, this section includes the main measures which have been considered essential for the purpose of preventing and managing conflicts of interest; these measures will be joined by those that Andbank considers necessary at any time to manage new potential conflicts that are identified within the activity of providing investment services.

Conflict of interest management measures could be grouped into the following categories according to the subjects involved, taking into account that some of them are applicable to several categories:

### a) Between Andbank and its clients

#### i. Control of own-account transactions:

Own-account transactions carried out by Affected Persons whose object is negotiable securities or financial instruments must conform to Andbank's internal rules and procedures, which establish fair processes for the management and execution of transactions.

#### ii. Lines of supervision of business areas that may conflict with clients' interests.

#### iii. Internal procedures to avoid the existence of incentives not permitted in the provision of investment services and/or the marketing of financial instruments.

### b) Between different Andbank clients

#### i. Control of own-account transactions:

Andbank has, in accordance with applicable regulations, a Best Execution Policy aimed at obtaining the best possible result for the client, when providing the service of reception and transmission of orders and the service of order execution.

The Best Execution Policy establishes, among other things, the criteria for the priority of client orders in order to avoid potential conflicts of interest in the confluence of the same transactions carried out by Affected Persons on their own account, whose object is negotiable securities or financial instruments.

### c) Between different entities of the group

#### i. Priority of client operations:

Andbank has, in accordance with applicable regulations, a Best Execution Policy aimed at obtaining the best possible result for the client, when providing the service of reception and transmission of orders and the service of order execution.

The Best Execution Policy establishes, among other things, the criteria for the priority of client orders to avoid potential conflicts of interest in the confluence of these orders.

The Group's entities are treated in the same way as any other client, applying at all times the principles indicated in the Best Execution Policy regarding the priority of orders. In addition, in order to prevent these conflicts, Andbank has developed internal policies, manuals and/or procedures of various kinds which contain specific measures to ensure the prevention and proper management of any conflicts of interest which may arise.

### d) Between different Andbank areas, departments or working groups

i. Determination of separate areas:

In order to prevent or control the exchange of information between Affected Persons who participate in activities which entail the risk of a conflict of interest that could be detrimental to Andbank or the interests of one or several clients, as well as to avoid the flow of privileged information, separate areas are established within Andbank, both in relation to the rest of the organisation and between them, the departments, areas or working groups in which any type of activity related to the securities market is carried out. Among others, the areas that carry out activities of own portfolio management, client portfolio management, advice and market analysis are considered separate areas.

The Group companies that provide investment services or carry out investment activities will also be considered as separate areas, both among themselves and with the Andbank departments that carry out this type of service or activity.

ii. Separate supervision of Affected Persons:

Separate supervision must be provided for Affected Persons whose functions are to carry out investment activities or provide investment services on behalf of or for the benefit of clients with conflicting interests or who represent different interests that may conflict, including those of Andbank.

iii. Exercise of undue influence:

Andbank shall establish specific sanctions to prevent any person from exercising undue influence on the way an Affected Person performs investment or ancillary services or activities.

iv. Simultaneous involvement in different activities and services:

To prevent the simultaneous or consecutive participation of an Affected Person in different services or activities, provided that such participation may be detrimental to the proper management of conflicts of interest, the Regulatory Compliance Department shall identify the tasks performed by the Affected Persons, analyse any possible incompatibilities that may arise, and submit its report to the competent governing body.

**e) Other**

i. Investment reports:

"Investment report" means any report or other information which, regardless of the specific personal circumstances of the client for whom it is intended, explicitly or implicitly recommends or proposes an investment strategy in relation to one or more financial instruments or issuers of financial instruments, including any opinion on the present or future value or price of such instruments, provided that the information is intended for distribution channels or the public and the investment report is qualified as such, or as financial analysis or any similar term, or is presented as an objective or independent explanation of those issuers or instruments upon which they make recommendations.

The people involved in the preparation of investment reports, who have been identified as "Identified Collective"\*, must comply with the requirements for this operation included in the Bank's Code of Conduct and Global Business Principles, insofar as they may not carry out personal transactions or negotiate on behalf of any person, including the company itself, unless they do so as market makers acting in good faith and in the ordinary course of this activity or when executing an unsolicited client order without the prior proposal of Andbank, in relation to the financial instruments referred to in the investment report, or to any related financial instrument, if they are aware of the likely content of the report and such information has not been made public or disclosed to clients or can be readily inferred from the information available, until the recipients of the report have had a reasonable opportunity to act on it and in any event may not carry out personal transactions with the financial instruments to which the report relates, or with related financial instruments, in a manner that is contrary to the recommendations in force, except in exceptional circumstances and with the prior written approval of the Regulatory Compliance Department.

For the purposes of this Policy, a related financial instrument is one whose price is directly affected by changes in the price of a financial instrument that is the subject of an investment report, including derivative instruments of that instrument.

ii. Remuneration Policies:

The Bank has identified the risks arising from the development of its activity, and has approved a series of rules of conduct that place the interests of the client above those of the Bank itself or any employee at all times. Within this framework, the Bank has a Remuneration Policy that meets this same objective, so that any remuneration structure is consistent with this fundamental principle. One of the fundamental objectives of this Policy is to ensure that there are no remuneration incentives that encourage the Bank's competent personnel to place their own interest or that of the Bank above that of their clients to the potential detriment of those clients.

This Remuneration Policy will be reviewed periodically by the Human Resources Department to ensure that the remuneration systems in place comply with the established principles and limits.

iii. Allowed incentives:

Andbank will provide investment services and activities with honesty, impartiality and professionalism, always seeking the best interest of its clients.

\*Investment Committee, Asset Allocation Committee and Markets and Regulatory Compliance.

Andbank may pay or contribute to a third party or receive from a third party, or person acting on behalf of a third party, fees, commissions or non-cash benefits in connection with the provision of

an investment or auxiliary service to the client, provided that this payment increases the quality of the service provided to the client and does not prevent Andbank from acting in the best interests of the client.

Affected Persons may not accept - either for themselves or for any of their Related Persons - gifts in connection with their work at Andbank, with the exception of:

- promotional commercial gifts from financial institutions, companies or any other supplier of goods and services, provided that they are of an ordinary nature and do not go beyond the common courtesies associated with commercial practices, within the limits established in the Bank's Code of Conduct and Global Business Principles.
- attendance at business-related leisure activities such as sporting or theatrical events or invitations to lunches or dinners provided that they are a common part of a transaction or ordinary business development activities and are attended with representatives of the corresponding entity, company or supplier, within the limits set out in the Bank's Code of Conduct and Global Business Principles.

iv. List of insiders:

In order to safeguard clients and the Bank itself from potential conflicts of interest in the use of inside information, in the case of Andbank's involvement in some kind of corporate or similar operation of both listed and unlisted companies, the Compliance Department must receive and keep a list of the people in the organisation who have access to all or part of the information or to which part of it could be the object of a potential conflict of interest, who must comply with the requirements for this operation included in the Bank's Code of Conduct and Global Business Principles.

v. Market sounding:

Market sounding consists of communicating information to one or more potential investors prior to the announcement of a transaction with the aim of gauging the interest of these investors in a possible transaction and the conditions relating to this transaction such as the price or potential volume, made by an issuer, an offeror on the secondary market who needs the information of potential interest in order to establish the terms of the offer, or a third party acting on behalf of one of the above.



If Andbank engages in this activity, it must keep a record of what information has been given to which potential clients in order to avoid a conflict of interest with clients outside this group in a potential transaction.

In order to facilitate the identification of potential conflicts of interest that may arise in the provision of investment and ancillary services, a non-exhaustive list of potential conflicts of interest is attached as Annex I.

## **7. PROCEDURE FOR THE RESOLUTION OF IDENTIFIED CONFLICTS OF INTEREST**

Conflicts of interest shall be resolved by the head of the area or department concerned. If it affects several areas, it shall be resolved by the immediate superior of all of them. If none of the above rules apply, it shall be resolved by the person designated by the Regulatory Compliance Department.

In the resolution of conflicts of interest, the following rules shall be taken into account:

- (i) In the event of a conflict between Andbank and a client, the client's interest must be safeguarded.
- (ii) In the event of a conflict between clients:
  - a) preference shall not be given to any of them;
  - b) under no circumstances may transactions carried out by other clients be disclosed to any other client;
  - c) there shall be no incentive for one client to carry out a transaction for the benefit of another.

If the measures adopted by Andbank are not sufficient to guarantee, with reasonable certainty, that the risks of damage to client interests are being prevented, the Bank shall inform the persons affected of the nature and source of the conflict, and the services or transactions where the conflict is apparent may only be carried out if customers give their consent. In the event that no management measures are possible and clients are not informed of this fact, the operation cannot be carried out.

The decision on the conflict and any possible resulting incidents will be reported to the Regulatory Compliance Department, which will inform the Ethics Committee.

## **8. PROCEDURE FOR RECORDING SERVICES OR ACTIVITIES THAT GIVE RISE TO CONFLICTS OF INTEREST.**

The Regulatory Compliance Department will keep an up-to-date record of the types of investment or ancillary services or investment activities carried out by Andbank or on its behalf where a conflict of interest has arisen which has a significant risk of undermining the interests of one or more clients or, in the case of an ongoing service or activity, those where such a conflict may arise.

The following information shall be recorded in a clear, non-manipulable and consecutively numbered manner:

- (i) Identity of the Affected Persons who have been exposed to the conflict of interest.
- (ii) Date upon which the conflict originated.
- (iii) The instruments or services to which the conflict refers.
- (iv) The reason for the conflict appearing and a detailed description of the situation.
- (v) Description of the management, minimisation or, where appropriate, rectification process for the situation.

## 9. COMMUNICATION AND WARNINGS TO CUSTOMERS REGARDING CONFLICTS OF INTEREST.

The units responsible for providing investment services must communicate to clients to whom they offer the provision of investment services or activities on financial instruments subject to the scope of securities market regulation and prior to trading:

- a) a summarised version of Andbank's conflict of interest policy, which sets out the general procedures and measures in place to minimise and manage conflicts of interest.
- b) upon request, this Policy will be made available to the client, which may be carried out either by publication on its website or via another durable medium.

In the event that the measures adopted by Andbank are not sufficient to ensure, with reasonable certainty, the prevention of risks of damage to the interests of its clients as a result of the existence of a conflict of interest, Andbank shall warn the client before acting on its behalf of the nature and origin of the conflict by means of a durable medium and shall include the following information in order to enable the client to make an informed decision:

- (i) The existence of the conflict.
- (ii) The general nature or origin of the conflict.
- (iii) The possible impacts that it could have in the framework of the provision of the service or the carrying out of the corresponding investment activity.
- (iv) The measures taken to mitigate the conflict of interest.

Disclosure to the client of the existence of a conflict of interest should be considered as a measure of last resort to be employed only when the organisational and administrative measures put in place to prevent or manage the conflict are not sufficient to ensure the prevention of risks of damage to the interests of its clients.

## 10. TRAINING ON CONFLICTS OF INTEREST

All Affected Persons, including those who are joining the Andbank service for the first time, must receive general training on the content of this Policy and, in particular, on the specific content affecting them. Updated training activities will be carried out in the event of changes in the established requirements and procedures, either as a result of new regulations that may affect them, or with the aim of carrying out the identification, prevention and management of conflicts of interest more effectively.

## 11. REVIEW, MODIFICATION AND APPROVAL OF THE POLICY

The Regulatory Compliance Department will carry out periodic checks to verify compliance with the Policy and will include the results of the checks mentioned in the periodic reports to be submitted to the Ethics and Compliance Committee.

In addition, at least annually or whenever there is a significant change, the Regulatory Compliance Department will review the Policy, propose improvement measures to address any possible deficiencies and update the content of the Policy.

A significant change is defined as any of the following:

- a) When legal or regulatory changes occur that affect the content of the Policy;
- b) When, at the proposal of the Board of Directors or the corresponding delegated body, the development of new procedures is approved or existing procedures are modified;
- c) When the competent supervisory bodies, external auditors or internal auditors propose a modification to the Policy;
- d) When excessive reliance on disclosure to the client of conflicts of interest is detected as a measure of managing such conflicts.

Andbank's Board of Directors or the corresponding delegated body will be responsible for approving the Policy.