

MEASURES REGARDING CONFLICTS OF INTEREST

PART ONE INTRODUCTORY PROVISIONS

1. The policy of CAPITAL MARKETS, o.c.p., a.s. (hereinafter also referred to as the “Company” or the “Dealer”) has been drawn up in accordance with the provisions of Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments to Certain Acts, as amended (hereinafter referred to as the “Securities Act” or “ZOCP”) and in accordance with Commission Delegated Regulation (EU) 2017/565 of 25 April supplementing Directive 2014/65/EU of the European Parliament and of the Council, as regards organisational requirements and operating conditions for investment firms, as well as defined terms for the purposes of that Directive (hereinafter referred to as **the “Regulation”**), pursuant to which the company is required to implement appropriate measures necessary to identify conflicts of interest and measures to manage conflicts of interest.

PART TWO MEASURES TO IDENTIFY CONFLICTS OF INTEREST

Article 1

General measures for identifying conflicts of interest

1. The Company is obliged to implement the measures necessary to identify conflicts of interest between the Company (including its branches), its senior management, employees, tied agents, persons linked to the company by a relationship of direct or indirect control, and its clients, or between clients themselves, which arise during the provision of investment services, ancillary services and the performance of investment activities, or a combination thereof; if a conflict of interest cannot be avoided when providing investment services, ancillary services and carrying out investment activities, the nature and source of the conflict must be disclosed to the client prior to the provision of such a service or the performance of such an activity, and, where such services are provided or activities are performed, the client’s interests must be given priority over the firm’s own interests; and, in the event of a conflict of interest between clients, equal and fair treatment of all clients must be ensured.
2. In order to enhance trust between clients and the Trader when providing investment services, ancillary services and carrying out investment activities, or a combination thereof, and in order to protect clients’ investments in transactions involving financial instruments, the Trader has adopted, applies and adheres to effective measures necessary to identify and prevent conflicts of interest.

3. For this purpose, a conflict of interest is understood to mean a mutual conflict of interest (e.g. where, for personal, financial or other reasons, the impartial performance of a function and/or the fulfilment of duties could be compromised) between the Trader (including its branches), members of its senior management, its employees, tied agents, persons linked to the Trader by a relationship of direct or indirect control (hereinafter referred to as ‘relevant persons’) and between their clients or between the Trader’s clients themselves, which arise or could arise during the provision of investment services, ancillary services and in the performance of investment activities or a combination thereof (hereinafter referred to as “transactions”).
4. When carrying out certain transactions, the interests of the Trader or its relevant persons may conflict with the interests of a client, or situations may arise where the interests of several of the Trader’s clients conflict with one another.
5. All the measures and procedures set out above are adopted taking into account the size of the Trader and the scope of the investment services, ancillary services and investment activities it offers.
6. For the purposes of identifying conflicts of interest under this section, particular consideration is given to whether the Trader, a relevant person or a person who is directly or indirectly linked to the Trader by a relationship of direct or indirect control is in a situation where the Trader and the relevant person:
 - a) could make a financial gain or avoid a financial loss at the client’s expense,
 - b) has an interest in the outcome of an investment service, ancillary service provided to the client or the outcome of a transaction executed on the client’s behalf, and that interest differs from the client’s interest in that outcome,
 - c) has a financial or other incentive to prioritise the interests of another client or group of clients over the interests of the client in question,
 - d) carries out the same activity as the client,
 - e) receives or will receive, in connection with an investment service or ancillary service provided to the client, from a person who is not a client, a benefit in the form of money, goods or services (or any other monetary or non-monetary benefit, without prejudice to the provision of inducements in accordance with the provisions of Section 73b(2) et seq. of the ZoCP).
7. If the measures taken by the company under Part 3 to manage conflicts of interest are insufficient to prevent the risk of harm to the client’s interests, the company is obliged to clearly inform the client of the nature and sources of such risks and the measures taken to mitigate them before executing a transaction on the client’s behalf.
8. The Company is obliged to provide the client with the information referred to in paragraph 7 of this Article on a durable medium and to such an extent that the client can form a proper judgement and decide with full knowledge of the facts on the course of action in relation to the investment service or ancillary service in connection with which a conflict of interest arises.

9. The firm shall ensure that informing the client of a conflict of interest is a measure of last resort, to be used only if effective organisational and administrative measures implemented by the firm to prevent or manage conflicts of interest are not sufficient to ensure, with a reasonable degree of confidence, that risks of harm to the client's interests are prevented. The notification must clearly state that the organisational and administrative measures the firm has put in place to prevent or manage the conflict of interest in question are not sufficient to ensure, with a reasonable degree of confidence, that the risks of harm to the client's interests are prevented. The notice must contain a specific description of the conflicts of interest that arise in the provision of investment and/or ancillary services, taking into account the nature of the client being informed. The description explains the general nature and sources of conflicts of interest, as well as the risks to the client arising from conflicts of interest and the steps taken to mitigate those risks, in sufficient detail to enable the client in question to make an informed decision regarding the investment or ancillary service in the context of which conflicts of interest arise.
10. Any relevant person who, in the course of their work, becomes aware of a potential conflict of interest involving a client is obliged to immediately inform the Compliance Officer and the company's Board of Directors.
11. A relevant person carrying out activities that may give rise to a conflict of interest (e.g. a financial analyst, a dealing employee, a tied agent, a branch employee), or who has access to inside information within the meaning of Regulation (EU) No 596/2014 of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter referred to as the 'Market Abuse Regulation') or to other inside information by virtue of the activities that such person carries out on behalf of the Trader, is prohibited from:
 - a) enter into personal transactions where the transaction constitutes misuse or unlawful disclosure of inside information, as well as any transaction that is, or may be, in breach of the Trader's obligations under the ZOCP or specific legislation
 - b) recommend to another person, or persuade another person, acting beyond the scope of the rights and obligations arising from the performance of their employment, or beyond the scope of a service contract, to enter into a transaction in financial instruments
 - c) discloses, other than in the course of their employment or under a service contract, any information or opinions to another person, where that person knows or ought to know that, as a result of such disclosure, the other person might, for example, enter into a transaction in financial instruments
12. A personal transaction means a transaction in a financial instrument carried out by the relevant person, or on their behalf, if one of the following conditions is met:

- a) the relevant person acts outside the scope of the rights and obligations arising from the performance of their employment;
 - b) the transaction is carried out on behalf of any of the following persons:
 - the relevant person,
 - a close person of the relevant person and any person who, under the laws of another Member State, is considered equivalent to the spouse of the relevant person, or another relative of the relevant person who has lived with them in a shared household for one year prior to the date of the relevant transaction,
 - a person who has such a relationship with the relevant person that the relevant person has a direct or indirect interest in the outcome of the transaction, other than merely a fee or commission for executing the transaction.
13. Where a new financial product is introduced, the Trader is responsible for drawing up the terms and conditions for the introduction of the new product and is also required to identify any new conflicts of interest relating to the new product. The rules governing the introduction of a new product must also be applied where the intermediation of a financial service or ancillary service is extended to a new group of clients.

Article 2

Measures to identify conflicts of interest in the placement of financial instruments

- 1 In the case of the placement of financial instruments, the firm is required to establish, implement and maintain effective measures to prevent placement recommendations from being unduly influenced by any existing or future relationships.
- 2 The firm must implement, implement and maintain effective internal measures to prevent conflicts of interest arising where persons responsible for providing services to clients of the investment firm are directly involved in decisions regarding recommendations to an issuer client concerning allocation, as well as to resolve such conflicts of interest.
- 3 The firm must also identify all potential conflicts of interest that may arise in the course of placement and other activities of the firm and implement appropriate procedures to manage such conflicts. Where an investment firm is unable to manage a conflict of interest by applying appropriate procedures, the investment firm must not participate in the transaction in question.
- 4 The firm must have in place systems, controls and procedures in place to identify and manage conflicts of interest arising from the provision of an investment service enabling an investment client to participate in a new issue, where the investment firm receives commissions, fees or any monetary or non-monetary benefits in connection with the organisation of the issue.

- 5 Where a firm places financial instruments issued by itself or by entities belonging to the same group with its own clients, including its existing depositors, it must establish, implement and maintain clear and effective measures to identify potential conflicts of interest arising in connection with this type of activity, to prevent such conflicts of interest and to manage them. Such measures also involve considering whether to refrain from the activity if conflicts of interest cannot be adequately managed so as to prevent any adverse effects on clients.
- 6 In the context of preventing conflicts of interest and establishing an allocation policy, the Trader must not accept any payments or benefits from third parties if such payments or benefits do not meet the requirements for inducements set out in Section 73b of the ZOCP. In particular, the following allocation practices are considered unacceptable:
 - allocation made to induce a client to pay disproportionately high fees for unrelated services provided by the investment firm ('laddering'), such as disproportionately high fees or commissions, or to execute disproportionately high trading volumes at the standard commission rate as compensation for accepting the allocation of the issue;
 - an allocation to a senior manager or executive of an existing or potential issuing client, taking into account future or past corporate finance assignments ('spinning');
 - an allocation that is expressly or implicitly conditional upon the acceptance of future orders or the purchase of another service from the investment firm by an investment client or by any entity of which the investor is a senior manager.

Article 3

Measures to identify conflicts of interest in relation to investment research

- 1 Where the firm produces investment research intended for subsequent dissemination, it must ensure that the measures set out in this internal policy are implemented in respect of financial analysts involved in the production of the investment research, and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is distributed.
- 2 Where execution services, research services and placement activities are provided, it is necessary to ensure that appropriate control mechanisms are in place to address potential conflicts of interest between these activities and between the firm's various clients receiving these services.
- 3 Investment research provided by a third party is subject to the provisions of Section 73b(10) et seq. of the ZoCP.

Article 4

Measures to identify conflicts of interest in relation to remuneration

- 1 The Company shall ensure that it does not remunerate its employees or assess their performance in a manner that is inconsistent with the duty to act in the best interests of clients. In particular, it shall not introduce any measures in the form of remuneration,

sales targets or other similar measures that could motivate its employees to recommend a specific financial instrument to a client if the company could offer another financial instrument that better meets the client's needs.

- 2 The Company must not accept any remuneration, discount or non-monetary benefit for directing clients' orders to a specific trading venue or execution venue, which would be contrary to the requirements regarding conflicts of interest or the acceptance and payment of fees, commissions or non-monetary benefits.
- 3 In connection with the provision of investment and ancillary services, the Company must not accept benefits from third parties, nor must it provide benefits to third parties (who are not clients of the Company in relation to the transaction in question), except where such a benefit is in accordance with the provisions of Section 73b(2) of the ZoCP.

Article 5

Measures to identify conflicts of interest in the creation and distribution of financial instruments

- 1 The investment firm shall regularly review the financial instruments it offers or places on the market, taking into account any event that could significantly affect the potential risk to the identified target market, in order to assess, at a minimum, whether the financial instrument is consistent with the needs of the identified target market and whether the planned distribution strategy remains appropriate.
- 2 The firm is required to establish, maintain and apply procedures and measures to ensure that the creation and distribution of a financial instrument comply with the requirements for the management of conflicts of interest and the remuneration policies. In particular, when creating a financial instrument, the firm shall ensure that the design of the financial instrument, including its features, does not adversely affect clients or lead to market integrity issues by enabling the firm to reduce or eliminate its own risk associated with the underlying assets of the financial instrument, where the firm already holds such underlying assets on its own account.
- 3 The firm is required to examine potential conflicts of interest whenever a financial instrument is created; in particular, it is required to assess whether the financial instrument results in a situation that may have an adverse effect on clients if those clients take a position opposite to:
 - (a) a position previously held by the firm; or
 - (b) a position which the firm intends to hold following the sale of the financial instrument

PART THREE

MEASURES TO MANAGE CONFLICTS OF INTEREST

- 1 The Company is required to implement and adhere to effective measures to manage conflicts of interest. These measures shall be proportionate to the size and organisation of the Trader and the nature, scope and complexity of its business activities.
- 2 A circumstance constituting a conflict of interest or leading to a conflict of interest in relation to the relevant investment services, investment activities and ancillary services provided by the firm is any fact which, in a specific case, constitutes or implies a significant risk of damage to the interests of one or more clients.
- 3 The firm shall review and assess its conflict of interest policy on a regular basis and at least once a year, and is required to take appropriate measures to address any shortcomings.

Article 1

Measures to manage conflicts of interest

- 1.1 The following list is a selection of some proposed methods for managing actual or potential conflicts of interest:
 - a) the company employs an independent Compliance Officer who reports directly to the Board of Directors and is required to submit written reports on the performance of his duties to the Board of Directors, the Supervisory Board and the Trader's senior management at least once a year; his role is to monitor the identification of conflicts of interest, efforts to avoid them and to coordinate the process of managing conflicts of interest,
 - b) procedures and systems for identifying specific situations in which competing or undesirable interests arise,
 - c) trade monitoring and restriction systems covering internal staff and restriction (freeze) lists, with the aim of monitoring the flow of inside information within the firm and prohibiting staff from misusing such information for the firm's or their own accounts and to the detriment of the client,
 - d) in the context of the company's relationships with issuers of financial instruments, where the Trader acts on behalf of or for the account of an issuer of a financial instrument to which the Market Abuse Regulation applies, The Trader shall draw up a list of all persons (including its employees, staff and tied agents) who have access to inside information, which shall contain the information and be updated in accordance with the Market Abuse Regulation.

- e) an overview and approval by product committees acting independently of the Trader's directly involved representatives, covering (among other things) the transaction, product assessment, placement and structure,
- f) structural separation; this may involve physical or other separation, including information barriers, compensation agreements and/or the management and supervisory structure,
- g) rules and procedures ensuring fair and/or equal treatment of clients or categories of clients,
- h) the Trader's internal rules on private investments (personal trading) and the trading activities of the Trader's employees, with the aim of preventing conflicts of interest that could arise contrary to the client's interests,
- i) staff training,
- j) rules governing the acceptance and provision of remuneration, including the disclosure of information on such measures to clients,
- k) where necessary, making general or specific documents on conflicts of interest available to the client, including cases where it is not possible to take sufficient measures to prevent or manage a conflict.

1.2 CAPITAL MARKETS, o.c.p., a.s. may, in addition to the above measures, also adopt the following measures depending on the circumstances that may lead to a potential or actual conflict of interest:

- a) establishing organisational procedures to protect clients' interests in investment advice and portfolio management,
- b) regulating the acceptance and payment of commissions to and from third parties, as well as regulating employee remuneration,
- c) handling of confidential information, establishment of information barriers, segregation of duties and/or establishment of virtual physical separation,
- d) maintaining a list of inside information and a list of sensitive information, which serve to control the handling of inside and sensitive information and to prevent the misuse of such information by interested parties,
- e) maintaining a restricted list, which, amongst other things, serves to address potential conflicts of interest and is based on a prohibition on entering into transactions or providing advice, or a prohibition on publishing financial analysis,
- f) reporting transactions in financial instruments and company employees who may encounter conflicts of interest in the course of their work to the heads of departments and the Compliance Officer,
- g) A trader, or a relevant person such as their employee, tied agent or branch staff member, shall inform their clients of any unavoidable conflicts of interest prior to concluding a transaction or providing advisory services. This obligation applies to every employee of the dealing desk, the AM department, financial analysts, branch staff, tied agents, or members of the board of directors who enter into a business relationship with a client or conclude a transaction themselves,

- h) eliminate, so that persons involved in decision-making regarding recommendations to an issuer client do not participate in the provision of services to clients,
- i) control mechanisms to address potential conflicts of interest by monitoring the provision of services and situations where a conflict of interest may arise,
- j) if a conflict of interest in placement cannot be resolved by applying appropriate procedures, the Trader must not participate in the placement operation,
- k) The Trader has also incorporated measures relating to conflicts of interest into its internal Compliance Code, which is binding on all the Trader's employees.

PART FOUR IDENTIFICATION OF CONFLICTS OF INTEREST

- 1 Conflicts of interest may arise between the company, affiliated companies, senior management, employees of the company/branch or other persons who are in a commercial or legal relationship with the Trader, and between the company's clients, or between the company's clients themselves.
- 2 The Compliance Officer shall provide training in accordance with this policy to every newly recruited employee of the company to prevent conflicts of interest – in particular, dealing staff, financial analysts, AM department staff, tied agents and branch staff.
- 3 A conflict of interest may arise for a Trader, in particular, in the following cases:
 - a) in investment advice and portfolio management, given the company's interest in the sale price of financial instruments,
 - b) when receiving or providing subsidies (e.g. placement fees) from third parties or commissions to third parties in connection with services relating to financial instruments (to the extent and under the conditions permitted by the relevant legislation),
 - c) as a result of the payment of remuneration to employees of the company/branch and tied agents,
 - d) in the provision of various allowances and benefits to employees and tied agents of the company/branch,
 - e) from other business activities of the company/branch, in particular based on the company's interest in profits from proprietary trading and the sale of issued securities,
 - f) from the company's relationships with issuers of financial instruments, for example where a credit relationship exists, in connection with participation in issues, or in the context of cooperation,
 - g) when preparing financial analyses relating to financial instruments that the company offers to its clients,
 - h) the acquisition of information not publicly known in connection with so-called 'insider trading',
 - i) from personal relationships of employees of the company/branch or the management of the company/branch, or their friends or family members, if these persons serve on supervisory boards and advisory bodies,
 - j) in the management of client assets – the investment service of portfolio management, where the asset manager, when deciding on the purchase or sale of financial instruments, does not follow the investment strategy agreed in advance with the client. The investment recommendation focuses primarily on an investment selection process tailored to the client's interests,
 - k) a conflict of interest may arise in the case of a performance-based remuneration agreement. Here, it cannot be ruled out that, in order to achieve the highest possible performance and thus increased remuneration, the asset manager may take on

- disproportionate risks. Among other things, the investment strategy agreement serves to mitigate risks. Internal checks are carried out to ensure that the investment decisions taken are consistent with this investment strategy,
- l) financial agents and tied agents who refer clients or specific transactions to the company,
 - m) generally in cases where the company provides investment advice on the issuer's financial instruments, whilst the company also trades in financial instruments issued by the issuer on its own account (currently, the company does not hold a licence from the NBS to trade on its own account),
 - n) where an investment service relating to a financial instrument is provided to a client, and the issuer of the financial instrument is a significant client of the company,
 - o) in cases where, in the distribution of a financial instrument or the execution of a trade or the provision of investment advice, the financial interest of the seller or another employee of the company (e.g. due to favourable commissions) is prioritised over the client's interest in executing the trade on the best terms,
 - p) where, in connection with the investment service of placement under Section 6(1)(g) of the ZOCP, the investment service of portfolio management under Section 6(1)(d) of the ZOCP is provided to another client.
- 4 The company's senior management is aware that wherever business interests clash, a conflict of interest may arise between the relevant persons, clients, or a combination thereof. The trader makes every effort to pre-empt such conflicts. The company therefore expects its own employees to act with care and integrity, to conduct themselves in a lawful and professional manner, and, in particular, to always respect and uphold the interests of clients. The company's employees are obliged to observe and uphold certain standards of conduct and obligations arising from the relevant legislation and the company's internal regulations. Every employee is obliged to adhere to the principles of the company's Code of Ethics. An independent Compliance Officer position has therefore been established within the company, responsible for monitoring the identification, prevention and management of conflicts of interest through the company's department heads.

PART FIVE RECORDS OF CONFLICTS OF INTEREST

- 1 The company is obliged to maintain and regularly update records of investment services, investment activities or ancillary services performed by the company itself or on its behalf, in the course of which a conflict of interest arose that posed a significant risk of harming the interests of one or more clients, or where such a conflict of interest could have arisen in the case of such a service or activity currently being provided. The Compliance Officer is responsible for recording and maintaining records of conflicts of interest. Senior management shall receive written reports on the situations referred to in this Article frequently and at least once a year. A recommended record-keeping template is set out in Annex 1 to this Directive.

PART SIX CONFLICT OF INTEREST OF AN INDEPENDENT FINANCIAL AGENT

Article 1 Obligations of the SFA and its employees

- 1.1 An independent financial agent (hereinafter referred to as “IFA”), a natural person who is a statutory body of the IFA, a member of the statutory body of the IFA, a proxy of the IFA, a member of the supervisory body of the IFA, and its employees must not be:
- a) a financial adviser,
 - b) a statutory body or a member of the statutory body of a financial adviser,
 - c) an employee of the financial adviser,
 - d) a member of the supervisory body of the financial adviser,
- 1.2 SFAs and employees in the financial market sector must not be:
- a) a member of the statutory body of another financial agent,
 - b) an authorised signatory of another financial agent,
 - c) a member of the supervisory body of another financial agent,

Article 2 Subordinate financial agents of the SFA

- 2.1 Subordinate financial agents who have concluded a valid brokerage agreement with the company, or another contract the subject matter of which is financial intermediation under the Act on Financial Intermediaries and Financial Services, their statutory representatives, members of supervisory bodies, authorised signatories and employees must not be:
- a) a member of the statutory body of a financial adviser,
 - b) a proxy of a financial adviser,
 - c) a member of the supervisory body of a financial adviser,
 - d) an employee of the financial adviser,
 - e) a self-employed person operating as a financial adviser.
- 2.2 Subordinate financial agents who have a valid brokerage agreement with the company, their statutory representatives, members of supervisory bodies, authorised signatories and employees may not be members of:
- a) a member of the statutory body of another financial agent,
 - b) an authorised signatory of another financial agent,
 - c) a member of the supervisory body of another financial agent,
- 2.3 Subordinate financial agents through whom the company carries out its activities on a contractual basis must not be subordinate financial agents of another independent financial agent.

Article 3

Participation of financial advisers in the company's business

- 3.1 The participation of financial advisers in the business of SFA is prohibited on any basis, whether contractual, proprietary or personnel-related.

Article 4

Control over the SFA

- 4.1 No person may exercise control over the SFA during the period in which it acts as an independent financial agent:
- a) a financial institution, or a natural person who is a member of the statutory body of a financial adviser,
 - b) a proxy of a financial adviser,
 - c) a member of the supervisory body of a financial adviser,
 - d) an employee of the financial adviser who provides financial advice,
 - e) which is part of a group with close links to which the financial adviser belongs, and which is the statutory body of that person, a member of the statutory body of the financial adviser, a proxy of the financial adviser, a member of the supervisory body of the financial adviser, or an employee of the financial adviser.

Article 5

Methods of resolving conflicts of interest should they arise

- 5.1 In the course of its activities as an independent financial agent and in relation to its employees engaged in financial intermediation and subordinate financial agents, SFA pays close attention to identifying conflicts of interest with the client's interests and makes appropriate efforts to eliminate such conflicts of interest. If, in the course of financial intermediation, a conflict of interest arises between the client's interests and the interests of other persons – partners and directors of the company, employees, subordinate financial agents and their close associates – the nature and cause of the conflict of interest must be disclosed to the client prior to the provision of financial intermediation services. If financial intermediation subsequently takes place, the client's interests must be given priority over the interests of other persons, and if a conflict of interest arises between clients, it is necessary to ensure equal and fair treatment of all clients.

Appendix No. 1

FORM FOR IDENTIFYING CONFLICTS OF INTEREST of CAPITAL MARKETS, o.c.p., a.s. (hereinafter referred to as the “Trader”)	
First name and surname of the relevant person who informed the client of the potential investment and/or ancillary service provided	
First name and surname of the client	
Date of being informed of the potential investment and/or ancillary service to be provided	
Investment and/or ancillary service provided (hereinafter referred to as the “Service”)	
Identified conflict of interest (specific description of conflicts of interest that arise or may arise in the provision of the ongoing Service, including the nature and source of the conflict of interest)	

Risks of harm to the interests of one or more clients arising from conflicts of interest (detailed description)	
Measures to mitigate the risks arising from conflicts of interest (detailed description)	