

Document Title **Conflicts of Interest Policy**

14 June 2017 Date

Adopted by The Board of Directors of Nordea Bank AB (publ) (“Group Board”) has issued this policy, which was last updated on 14 June 2017.

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## 1 Purpose and scope

This policy sets forth the organisational and administrative procedures to identify and prevent or manage conflicts of interest when providing financial services or performing other activities in Nordea, in order to ensure that customers are treated fairly.

*All employees of the Nordea Group (“Nordea” or the “Group”), including non-permanent staff working on behalf of the Group, providing financial services and activities, natural persons who are directly involved in the provision of financial services to Nordea under an outsourcing agreement for the purpose of the provision of financial services and activities, board members, the President of Nordea Bank AB (publ) and Chief Executive Officer of the Group (“CEO”), are subject to this policy.*

The persons subject to this policy are referred to as “relevant persons”.

It is the responsibility of each manager to ensure that this policy is, where relevant, known and complied with within his/her respective area of responsibility. CEO, Key Function Holders<sup>1</sup> and board members shall be informed of the content of the policy in connection with their respective appointment.

## 2 Definitions

Conflict of interest - a situation entailing a material risk of a negative impact on the interests of one or more customers with regard to Nordea’s products and services. A conflict of interest might exist even if there are no improper acts as a result of it.

## 3 Introduction

Conflicts of interest may arise directly or indirectly in numerous situations between different parties in relation to Nordea’s activities. There can be many different types of conflicts of interest, for instance:

- Nordea vs. customers
- Nordea vs. shareholders

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<sup>1</sup> As defined in “Policy for selecting and assessing the suitability of CEO and key function holders”.

- Nordea vs. management bodies/board members
- Nordea vs. employees
- Nordea vs. significant suppliers/business partners
- Nordea vs. subsidiaries
- Nordea vs. other related parties
- Customer vs. customer

Managing conflicts of interest requires that a customer's best interest is always considered so that the customer is treated fairly.

When identifying, preventing and managing conflicts of interest the following aspects must be acknowledged:

- the primary goal is to identify the relationships, services, activities or transactions in which conflicts of interest may arise and prevent them from arising;
- if a conflict of interest situation has arisen or seems likely to arise, the situation should be actively handled, and where relevant, it should be considered if the conflict of interest should be disclosed to the customer(s) involved;
- the relevant persons' awareness of actual and potential conflicts of interest and the procedures to handle them should be highlighted.

#### **4 Identifying conflicts of interest**

BA/GFs are required to identify potential or actual conflicts of interest before or when they arise as part of their normal day to day business. When identifying conflicts of interest that may arise it shall as a minimum be considered if Nordea, a relevant person or a person directly or indirectly associated by control to Nordea;

- is likely to make a financial gain or avoid a financial loss at the expense of the customer;
- has an interest in the outcome of the service provided to the customer or of the transaction that is carried out on behalf of the customer, which is different from the customer's interest;
- has a financial or other incentive to favour the interest of another customer or group of customers over the interests of the initial customer;
- conducts the same type of business as the customer; or

- receives or will receive from a person other than the customer an inducement in the form of money, goods or services other than the standard commission or fee for the service in question.

#### 4.1 Conflicts of interest identified in Nordea's activities

It is not possible to list all actual or potential conflicts of interest, but below are some examples of situations where conflicts of interest may arise and where particular attention is required:

- Nordea may attain financial gain or avoid a financial loss at the cost of one or several customers;
- Nordea has another interest than the customer of the result of the services performed or of the transaction that are being carried out on behalf of the customer;
- Nordea has a financial interest or for other reasons favours a customer's or group of customers' interests before the interest of another customer;
- Nordea conducts the same business as a customer;
- Nordea receives or will receive inducement from another person other than the customer in connection with performing a service for the customer, in addition to the standard remuneration for that specific service.

##### 4.1.1 Conflicts of interest between a relevant person and Nordea

A conflict of interest may arise when a relevant person's individual interests are directly contrary to the interests of Nordea. A conflict of interest may also arise when a person, any person linked to her/him, or a company where any of them has a material holding of shares, derives a personal gain as a result of that person's role in Nordea. The concept "*any person linked to her/him*" means in this policy the spouse of the relevant person or any partner of the person considered by national law to be equivalent to a spouse; a dependent child or stepchild of the relevant person; and any other relative of the relevant person who has shared the same household as that person for at least one year on the date when a conflict of interest arises.

A conflict of interest may arise when:

- a relevant person, or any person linked to her/him, has a material financial interest in - or enters into an agreement with - one of Nordea's competitors, suppliers or customers;
- a relevant person conducts business on behalf of Nordea with a supplier or customer in which any person linked to the relevant person is employer or manager;

- a relevant person or any person linked to her/him receives gifts or services with a value that exceeds a symbolic value from a current or potential competitor, supplier or customer;
- a relevant person, for personal gain or detrimental to Nordea, uses confidential information that has been received within the employment or assignment;
- a relevant person conducts own business that is directly competitive to Nordea;
- a relevant person uses Nordea's assets, including intellectual assets, customers or employees for a personal or other inappropriate purpose, for example for developing own business;
- a relevant person acquires property or assets in order to sell or lease it to Nordea;
- a relevant person derives personal gain from a business opportunity that involves Nordea's business, when it should have accrued to Nordea;
- an employee in Nordea performs or takes part in external engagements (see section 5.1) that risks to affect the employee's ability to perform their work in Nordea; or
- a relevant person identified according to the "*Policy for Personal Account Dealing in financial instruments (PAD Policy)*", misuses confidential information when executing customer orders and dealing in personal accounts.

For board members, additional guidance regarding conflicts of interest is provided in "*Charter for the Nordea Bank Board of Directors and its committees*".

#### 4.1.2 Conflicts of interest related to outsourcing

Outsourcing business never releases Nordea from accountability according to applicable laws and regulations.

Nordea shall have in place risk-based systems and controls to assess whether vendors meet the requirements from the legislator and the financial supervisory authorities regarding identification and managing of conflicts of interest.

When outsourcing business internally within the group, potential conflicts of interest in relation to certain groups of employees or service providers (consultants) shall be considered specifically. At such outsourcing, potential conflicts of interest may arise in connection with the persons that carry out tasks within a company's responsibility as a purchaser or evaluator, especially in a question that directly or indirectly concerns the outsourcing at hand.

#### 4.1.3 Conflicts of interest in relation to governance in lines of defence ("LoD") in change situations

When making internal organisational changes within the group, potential conflicts of interest in relation to lines of defence framework shall be considered carefully.

At such change situations potential conflicts of interest may arise when 1st LoD unit can exert undue influence on a 2nd LoD unit or inversely like:

- Business Areas (“BA”) or Group Functions (“GF”) that own and manage risks (by nature a 1st LoD functions) are also responsible for or can influence in any way the independent monitoring and control of these risks (a 2nd LoD function by nature).
- A unit that is tasked with risk model development takes part in the validation process of the same model or the model development unit is not organisationally independent from the model validation unit.
- A unit that is tasked with controlling risks has an incentive based on the outcome of the business generating these risks and return, be it personal (remuneration) or organisational (budget allocation, team size etc.). Conversely, conflicts of interest can arise if the risk controller will face explicit or implicit penalties based on negative outcomes for the business generating the risks and returns.

#### 4.1.4 Conflicts of interest in relation to a customer

Nordea provides a full scale of financial services under its licenses to operate and shall take all necessary measures in order to identify and handle potential conflicts of interest that may arise in relation to its customers and prevent that a customer’s interest is negatively affected. Actual and potential conflicts of interest concerning these services may relate to the performance and/or provision of:

- proprietary trading;
- portfolio management services;
- advisory services;
- investment research;
- banking services;
- insurance services; and
- finance services.

More specifically, actual and potential conflicts of interest concerning financial services are identified at least in the following situations, when Nordea is carrying out/providing:

- proprietary trading and trading at the same time on behalf a customer;
- discretionary portfolio management services and allocating independently assets to a customer’s portfolio;
- advisory and financing services to one customer in respect of a bid and seeking to provide financing services to another customer in respect of the same bid;
- portfolio management services and placing orders with an affiliated broker company;

- investment research in relation to such entity or group to which it also may provide corporate finance advisory services;
- advice, or acting as an arranger or manager of a public offering of financial instruments and allowing relevant persons to attend such offering.

Conflicts of interest may also arise as a result of the remuneration- or performance models for Nordea's financial advisors, or in connection with a business transaction. Businesses within Nordea that have direct contact with customers shall maintain internal rules that more closely describe how business specific conflicts of interest shall be identified, handled and reported.

## 5 Preventing and managing conflicts of interest

When potential conflicts of interest have been identified the primary purpose is to prevent them from occurring whenever possible. If this is not possible, the conflicts of interest must be properly managed to mitigate adverse effects on customers.

When deciding on remuneration to a relevant person it shall be ensured that the remuneration neither compromises the objectivity of the relevant person when carrying out their duties nor is contrary to the customers' best interest.

### 5.1 External engagements

Relevant persons may take part in external engagements, provided that a prior approval for the engagement is received in accordance with this policy. External engagements that might negatively affect the relevant person's work duties or Nordea in general are not allowed regardless if they are performed in the role of an employee, private individual or any other role.

#### 5.1.1 Secondary employment

Employees must obtain approval from his/her immediate superior before taking on secondary employment. The immediate superior should consult Group Compliance prior to making decisions on this.

#### 5.1.2 External board directorships

Employees are prohibited from engaging in external board directorships of:

- Publicly traded / listed companies
- Competitors or financial services related companies

Exceptions to this prohibition can only be made with the approval of both Group Compliance and a member of GEM.

External board directorships in other companies, such as non-profit organisations, associations or family-owned companies must be reviewed and approved on a case by

case basis by both the immediate superior and Group Compliance before employees may engage in them.

#### 5.1.3 Offshore structures

Employees are not allowed to have external engagements in offshore<sup>2</sup> structures. This applies to any kind of external engagements, for instance beneficial ownerships, board directorships and powers of attorney granted by offshore structures.

Exceptions to this rule must be approved by Group Compliance and a member of GEM.

#### 5.1.4 Members of GEM and the board of directors

For members of GEM and the board of directors, please see *Policy for selecting and assessing the suitability of CEO and key function holders* and *Policy for assessing the suitability of the members of the Board of Directors of Nordea Bank AB (publ)*.

### 5.2 Segregation of duties and Chinese walls

The principle of segregation of duties adopted in Nordea is fundamental to prevent conflicts of interest to adversely affect the interest of Nordea's customers.

Accordingly this principle must be reflected in Nordea's organisational structures, procedures and internal controls.

To manage the information flow Nordea should have so called Chinese wall arrangements around and within certain business activities where sensitive customer information is handled. These arrangements include physical separation and restricted access to information but also specific arrangements around investment research and advice, proprietary trading, portfolio management and corporate finance business activities.

### 5.3 Reporting

Relevant persons shall immediately report actual and potential conflicts of interest, or changed circumstances regarding actual and potential conflicts of interest, to their immediate superior, or, for board members and CEO to the chairman of the board.

Relevant persons that are consultants or otherwise have a temporary assignment for Nordea shall report actual and potential conflicts of interest to the manager in Nordea that is responsible for the assignment. The immediate superior shall decide whether the actual or potential conflict of interest shall be reported to the CEO, who in its turn shall determine whether to report the conflict of interest to the board of directors.

Actual and potential conflicts of interest that arise between different companies within the group shall immediately be reported to the CEO in each company. The CEO shall determine whether the actual or potential conflict of interest shall be reported to the board of directors, or if it already has been approved in connection with for example

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<sup>2</sup> A list of what is regarded as offshore countries can be found on <https://www.imf.org/external/NP/ofca/OFCA.aspx>

signing an outsourcing or cooperation agreement, or when drawing a business plan etc.

All actual and potential conflicts of interests that are reported to the chairman of the board or the CEO shall at the same time be reported to the Head of Group Compliance.

#### **5.4 Procedures in connection with new appointments**

It is the manager's responsibility to identify actual and potential conflicts of interest when new employees are hired or given a new position within the Group.

Correspondingly, identification of actual and potential conflicts should be made by the relevant manager before signing an outsourcing agreement with a company or relevant person that are consultant or who shall have a temporary assignment for Nordea. If an actual or potential conflict of interest is deemed to be at hand, the manager shall, in consultation with a local compliance officer, decide how to handle the matter.

Evaluation of CEO, Executive Vice Presidents, Key Function Holders and board members is made through separate processes in accordance with the "*Policy for selecting and assessing the suitability of CEO and key function holders*" and "*Policy for assessing the suitability of the members of the Board of Directors of Nordea Bank AB*", which include identification and assessment of actual and potential conflicts of interest.

#### **5.5 Provision of services to persons with potential conflicts of interest**

Legal entities within Nordea may not enter into a credit or other services agreement subject to terms and conditions which differ from those the entity normally applies, or enter into other agreements subject to terms and conditions that are not commercially justified, with or for the benefit of board members or persons who hold a senior position within the entity.

Legal entities within the Nordea Group that are comprised by specific rules on provision of services to, or other agreement with, persons with a potential conflict of interest shall then apply those rules. For Nordea Bank AB (publ), including its branches, see the specific rules regarding handling of agreements with the bank's persons with a potential conflict of interest (persons with bias) in Appendix 1.

#### **5.6 Conflicts of interest register**

All BAs and GFs must identify and list all circumstances and situations that may constitute or give rise to material conflicts of interest in specific activities carried out by them in a conflicts of interest register. Daily business activities need to be considered at least in the light of how the division of responsibilities is structured – both within each BA/GF as well as cross BA/GF.

As part of the creation and maintenance of the conflicts of interest register, the BA/GFs are required to:

- carry out the identification of conflicts of interest, with a sufficient degree of details so that all relevant persons of the BA and GF can easily understand;
- document how the conflicts of interest are prevented and list preventive temporary or permanent measures that have been taken or will be taken depending on the type of conflicts of interest situation with a sufficient degree of details so that all relevant persons of the BA and GF easily can understand and relate to the measures; and
- know how the situation should be managed and reported in case conflicts of interest occur.

The conflict of interest register of each BA/GF shall include at least the following information:

- Conflict of interest type as described in section 3 of this Policy.
- Description of the situations that may lead to conflicts of interest and of the potential or actual conflicts of interest.
- A list of temporary or permanent actions that have been or should be taken to prevent or manage the conflicts of interest.

The conflicts of interest register must be updated on an ongoing basis as required. An annual thorough review of the register must also be performed. Group Compliance should always be consulted when updates and reviews are performed.

### **5.7 Procedures required**

There shall be sufficient and clear procedures in place for managing of conflicts of interest situations. The procedures to manage conflicts of interest shall also include rules on how and to who occurred conflict of interest should be reported, descriptions of parties affected, escalation procedures and procedures for disclosing a conflict of interest that cannot be avoided. The procedures should be different depending on whether customers have been involved or not.

BAs and GFs are obliged to establish, maintain and document procedures to identify, prevent and manage conflicts of interest and, when necessary, issue supplementing instructions to the policies, instructions and guidelines issued by Nordea. In addition, the BAs and GFs are obliged to establish written procedures to identify, assess, disclose and document payments, receipts of any fee or commission or provision of a non-monetary benefit in connection with providing financial services, i.e. inducements. "*Instructions on the handling and disclosure of inducements related to investment services*" provide guidance to BAs and GFs on identification, preventions and managing of inducements.

When a BA or GF produces, or arranges for the production of investment research that is intended or likely to be disseminated to the customers or the public, it shall ensure

that financial analysts, and other relevant persons whose responsibilities or business interest may conflict with the interest of the persons to whom the investment research is disseminated, conduct their activities at an appropriate level of independence.

### **5.8 Disclosure of conflicts of interest**

The BAs and GFs shall have procedures in place on how to disclose occurred conflicts of interest in connection with performance of investments services and ancillary services to the customer in question. The relevant persons shall have clear information on these procedures.

Disclosing of the conflict of interest to the customer gives the customer a chance to react upon the conflicting situation and should therefore in many cases be seen as the final way of dealing with a conflicts of interest situation. If the conflict of interest is disclosed to the customer, it shall be done before conducting business on behalf of the customer. The disclosed information shall be delivered in a durable medium and shall be sufficiently detailed with regard to Nordea's categorisation of the customer so that the customer can make an informed decision about the investment or ancillary service where the conflict of interest arises.

This policy shall be made available to Nordea's customers when requested and a summary of this policy should be published at [www.nordea.com](http://www.nordea.com).

If the organisational and administrative arrangements set up within Nordea are not sufficient to ensure, with reasonable confidence, that a potential conflict of interest will be prevented when undertaking performance of investment services or ancillary services, the nature and/or source of the conflict of interest must be clearly disclosed to the customer before the service or activity in question is performed.

In case a situation arises where disclosure is required, the relevant person must immediately report this to his/her manager and seek direction as to the handling of the disclosure.

## **6 Record keeping**

When providing financial services BAs and GFs shall for a period of at least five (5) years keep and regularly update a record of all services it carried out, or that another party carries out on its behalf, in which there has arisen or may arise a conflict of interest entailing a material risk of damage to the interests of one or more customers.

All situations where a customer has been informed of a conflict of interest shall be documented by the BA/GFs.

**Appendix 1 to  
Conflict of Interest policy  
applicable for Nordea  
Bank AB (publ) and its  
branches**

**1 Agreement with persons with bias**

Nordea Bank AB (publ) may not enter into a Credit or other services agreement subject to terms and conditions, which differ from those the bank normally applies, or enter into other agreements subject to terms and conditions that are not commercially justified, with or for the benefit of:

1. a member or a deputy member of the bank's Board of Directors,
2. the following of its delegates (i.e. persons who alone or together with at third party is authorised to determine lending matters which otherwise must be determined by the bank's Board of Directors) and employees, respectively, in a senior management position;
  - a. the President of Nordea Bank AB (publ) and Chief Executive Officer of the Nordea Group (CEO) and the members of Group Executive Management,
  - b. the members of the Executive Credit Committee and the Group Credit Committee,
3. the bank's direct or indirect shareholders, other than the Swedish State, with holdings equal to at least three percent of the outstanding capital;
4. a spouse, cohabitee or registered partner of a person referred to in subsections 1-3; or
5. a legal person in which such person as referred to in subsections 1-4 holds, directly or indirectly, a significant financial interest in the capacity of owner or member.

The individuals and legal persons listed above are below referred to as "persons with bias".

If a person with bias is an employee, the bank may enter into a services agreement with such a person on terms and conditions that the bank normally applies to its employees.

## **2 Decision-making**

The bank's Board of Directors shall decide matters as referred to in section 1, including whether an agreement with a person with bias is on terms and conditions that differ from those the bank normally applies to the service in question or on terms and conditions that are not commercially justified, respectively.

## **3 Register of agreements**

The bank's Board of Directors shall maintain a list containing up-to-date information as to agreements entered into with persons with bias.

## **4 Roles and responsibilities**

Group People is responsible for maintaining a list of the individuals and legal persons referred to as persons with bias in section 1 above. Group Credit Risk shall inform Group People about changes of members in the relevant credit committees in section 1.2.b above.

Group People is responsible for maintaining the list of agreements with persons with bias referred to in section 3 above on behalf of the bank's Board of Directors.

The Employee Bank is the contact for private customers with bias (individuals). The Commercial & Business Banking and Corporate and Institutional Banking are the contacts for corporate customers with bias (legal persons).

Group Credit Risk, Group People and the above contacts are responsible for the decision-making process referred to in section 2. The detailed process shall be described in one or more Standard Operating Procedures (SOPs) owned by Group Credit Risk, Group People and the above contacts.