

## **PROFITUS POLICY ON THE AVOIDANCE AND MANAGEMENT OF CONFLICTS OF INTEREST**

### **1. GENERAL PROVISIONS**

- 1.1. The purpose of this Policy on the Avoidance and Management of Conflicts of Interest of UAB "Profitus Crowdfunding" (hereinafter referred to as the **Policy**) is to set out the measures for the prevention, identification and proper management of conflicts of interest which may adversely affect the interests of Investors and/or Project Owners and/or which arise in the course of the Company's activities as an operator of a crowdfunding platform.
- 1.2. Capitalised terms used in the Policy shall be acknowledged as having the meanings for them outlined in the General Terms and Conditions of Use of the PROFITUS Platform. Other terms applied in the Policy shall have the meanings stipulated for them in Regulation (EU) 2020/1503 of the European Parliament and the European Council on European Crowdfunding Service Providers for Business (dated 7 October 2020), with an amendment to Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (**hereinafter referred to as the Regulation**), and with the continued existing validity of any other legislation, unless expressly stated otherwise in the Policy.
- 1.3. The provisions of the Policy shall be binding on all persons associated with the Company (**hereinafter referred to as Associates**) as defined in Article 8 of the Regulation. For the purposes of this Policy, "Associates" shall be acknowledged as the following persons:
  - 1.3.1. Any of the Company's shareholders who directly holds 20% or more of the share capital or voting rights;
  - 1.3.2. The Company's directors or employees;
  - 1.3.3. Other natural or legal persons within the meaning of Article 4(1)(35)(b) of Directive 2014/65/EU who are directly or indirectly linked by a relationship of control to the persons referred to in points 1.3.1 and (or) 1.3.2. That is to say, for the purpose of connectedness, a situation where two or more natural or legal persons are linked by control, i.e. linked by a relationship between the parent undertaking and the subsidiary undertaking in all the cases referred to in Article 22(1) and (2) of Directive 2013/34/EU, or where any natural or legal persons and the undertaking are linked by similar links.
- 1.4. The Policy has been prepared in accordance with the provisions of the Regulation, the Report published by the European Securities and Markets Authority (ESMA) on 10 November 2021 "Final Report. Draft technical standards under the European crowdfunding service providers for business Regulation", the provisions of Commission Delegated Regulation (EU) 2022/1503 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regulatory technical standards to determine the requirements applicable to providers of crowdfunding services with regard to conflicts of interest, other legal acts governing the Company's activities in the Republic of Lithuania. The Legal Department shall be responsible for the implementation of the Policy within the Company.

### **2. SITUATIONS THAT CREATE OR MAY CREATE A CONFLICT OF INTEREST**

- 2.1. The Company, in order to avoid conflicts of interest, does not participate in crowdfunding offers on its crowdfunding platform. It shall not be considered a conflict of interest for the Company to invest in the Project in the following case: the remaining amount available for investment in the Project is less than the minimum limit set by the Company for investment in the Project and the Company seeks to close the Project without giving preference to any Investor. Investments by Associates, subsidiaries and affiliates of the Company shall not be prohibited but shall be notified in accordance with the procedure set out in Clause 2.7 of the Policy.

22. A conflict of interest is defined as a situation where the interests of different parties are in conflict with each other. In this case, such conflicts may arise between:
  - 2.2.1. The Company and its Associates;
  - 2.2.2. The Company, its Associates and the Company's clients – Investors and/or Project Owners;
  - 2.2.3. The Company's clients.
23. In its management of its conflicts of interest, the Company continuously monitors and identifies situations where:
  - 2.3.1. The Company and/or an Associate may benefit financially or avoid financial loss but only at the expense of an Investor and/or Project Owner;
  - 2.3.2. The Company and/or an Associate have differing interests in the outcome of a service provided to an Investor and/or a Project Owner or in the outcome of a Financing Transaction entered into on behalf of an Investor and/or a Project Owner for which said Investor and/or Project Owner shall be affected by such an outcome;
  - 2.3.3. The Company and/or the Associate has a financial or other interest in favouring the interests of one Investor and/or Project Owner over the interests of other Investors and/or Project Owners;
  - 2.3.4. The Company and/or the Associate receives or will receive an incentive which relates to a service provided to the Investor and/or the Project Owner or to a financing transaction entered into by the Investor and/or the Project Owner (other than from the Investor and/or the Project Owner themselves), which may be in the form of money, goods or services, other than the payments customarily payable under such circumstances.
24. Conflicts of interest within the Company may arise in the following main areas of practice:
  - 2.4.1. Biased and subjective assessment of Investors and/or Project Owners, taking into account their direct or indirect relationship with the Company and/or its Associates;
  - 2.4.2. Associates may enter into Financing Transactions for their own personal account, using information known to them, or may communicate information to third parties.
25. The Company shall not publish Projects owned by Associates on the crowdfunding platform it manages.
26. In the event of a situation which may give rise to a conflict of interest, the interests of the Investor and/or the Project Owner shall take precedence (except in such a case as outlined in Clause 3.4.7 of this Policy, in which case neither of the Investors and/or the Project Owners may take precedence), followed by the interests of the Company, and then the interests of the Associates.
27. In cases where the persons referred to in Clause 1.3 of the Policy are investors in the Projects offered on the Company's crowdfunding platform, the Company shall fully disclose on the website of its platform, on a specific Project, in the "News" section of the platform, the fact that such persons may be, or are, investors, thereby disclosing information about specific Projects, and shall ensure that such investments are made under the same terms and conditions as those applicable to other Investors, and that such persons are not subject to any preferential treatment or privileged access to information. In the information accompanying specific projects, the Company notes that Associates are investing in the project and indicates that this is not to be construed as an incentive, advertisement or similar invitation to invest in a particular project.
28. The Company shall ensure that investments by Associates are made on the same terms and conditions as those applicable to other Investors.
29. The Company shall ensure that Associates are not granted any preferential treatment or privileged access to information about specific projects published on the platform operated by the Company.

### **3. AVOIDANCE OF CONFLICTS OF INTEREST**

31. The Company recognises the concept of the avoidance of conflicts of interest as a key measure in managing potential conflicts of interest.
32. In an effort to avoid conflicts of interest, the Company shall ensure that:
  - 3.2.1. Responsible persons, in the exercise of their functions, first establish / identify whether a conflict of interest actually exists;
  - 3.2.2. Upon identification of a risk of a conflict of interest, the responsible person shall

- immediately inform his / her line manager (or the Board of Directors of the Company, if the Associate is a sole director of the Company) of the potential conflict of interest and shall indicate the nature of the potential conflict of interest;
- 3.2.3. All actions undertaken by the Company and/or the Associates in relation to the Investor and/or the Project Owner are solely based on the interests of, and for the benefit of, the aforementioned entities, and shall be carried out objectively and impartially;
- 3.2.4. All Associates are made aware of the Company's procedure for managing conflicts of interest.
33. The Chief Executive Officer of the Company or the Board shall, upon receipt of a notification from a responsible person, consider the validity of the notification and shall decide either to suspend the Associate from carrying out the functions referred to in the notification and appoint another person to carry out the functions, or decide not to suspend the Associate and allow him / her to continue to carry out the functions.
34. The Company shall also take the following measures in the interest of avoiding conflicts of interest:
- 3.4.1. Associates are obliged to maintain confidentiality, to act in a fair and professional manner towards Investors and Project Owners, and to seek at all times to take into account the interests of the Investor and the Project Owner independently of the interests of other Investors and Project Owners, their other business activities, the Company or any other Associate;
- 3.4.2. Associates are hereby made aware of their obligation to report immediately any situation which creates or may create a conflict of interest;
- 3.4.3. Ensure that the system of remuneration of Associates does not allow Associates to benefit financially from situations which give rise or may give rise to conflicts of interest;
- 3.4.4. Prohibit Associates from publishing or exchanging information of Investors and/or the Project Owners known to them which may adversely affect the interests of the Investor and/or the Project Owner, and from disclosing information, which is not publicly available, as well as disclosing any other information relating to the Investor and / or the Project Owner which is not necessary for the execution of the Associates' direct functions in the Company;
- 3.4.5. Ensure that information about Project owners and their Projects is published in a uniform manner for everyone, all Investors are treated equally when financing Projects published on the Platform, except where interest rates are differentiated according to the amount invested by the Investor in the project, Associates are not able to obtain additional sensitive information for their own benefit or for the benefit of others;
- 3.4.6. Ensure that Associates have access to and handle only the information that is necessary for the execution of their functions;
- 3.4.7. In cases where a conflict of interest arises between several Investors and / or several Project Owners, the Company shall act in such a way that no Investor and / or Project Owner benefits at the expense of another Investor and / or Project Owner;
- 3.4.8. The disclosure shall be made in a timely manner to allow Investors to make an informed decision on the service giving rise to the conflict of interest. The disclosure shall include a specific and clear description of the conflicts of interest and related risks identified in the provision of the particular service, taking into account the nature and experience of the Investors to whom the disclosure is made;
- 3.4.9. Determine whether any of the Associates was an Investor in a Project published on a Platform operated by the Company;
- 3.4.10. Requires Associates to declare and periodically update information on persons with whom they have a control relationship;
- 3.4.11. Require Associates, in the exercise of their functions within the Company, to monitor at all times whether their activities and / or decisions give rise to conflicts of interest;
- 3.4.12. Requires related parties, if they become aware of a potential risk of a conflict of interest, to immediately inform the CEO of the Company and to indicate the cause and nature of the potential conflict of interest. Upon receipt of such notification, the CEO of the Company shall assess the validity of the notification and, upon determining that a conflict of interest

has in fact arisen or that there is a real risk of a conflict of interest arising, shall take a decision setting out all measures which he / she deems necessary to avoid or manage the conflict of interest (which may include, inter alia, the removal of the employee from the performance of certain duties, the delegation of functions to another employee on a temporary basis, etc). If a conflict of interest cannot be avoided, the CEO must ensure that all necessary measures are taken to manage the conflict of interest by acting objectively and fairly in the interests of clients;

- 3.4.13. The CEO of the Company, or a member of staff authorised by him / her to perform this function, shall at all times monitor and ensure that the Company's employees have access only to information that is necessary for the performance of their direct functions;
  - 3.4.14. Ensure that the organisational structure of the Company does not allow any of the Associates to exert any influence over the other Associates that could give rise to a conflict of interest.
35. The Company's Chief Executive Officer, or a person designated by the Company's Chief Executive Officer, shall monitor the effectiveness of the Company's measures to avoid, identify and manage conflicts of interest. In their execution of these functions, the Chief Executive Officer of the Company or a person authorised by the Chief Executive Officer of the Company shall:
- 3.5.1. Periodically review the provisions of the Policy, and the Company's internal procedures, and ensure their compatibility with the requirements of legal acts applicable to the Company's activities, and take all necessary measures to eliminate any identified deficiencies. Such review shall be carried out at least once every year;
  - 3.5.2. Inform the Associates about the Company's conflict of interest management procedures;
  - 3.5.3. Advise Associates on whether a conflict of interest actually exists in a particular situation, and if so how it should be managed;
  - 3.5.4. Take other actions aimed at the appropriate and timely identification and management of conflicts of interest.

#### **4. MANAGEMENT OF CONFLICTS OF INTEREST**

41. In the event that the Company determines that a conflict of interest is unavoidable and may or will adversely affect the interests of the Investor and / or Project Owner, the Investor and / or Project Owner (as the case may be, in respect of whose interests the arising conflict of interest pertains to) must be promptly informed of the conflict of interest, and the Company must identify the nature or source of the conflict, and obtain confirmation from the Investor and/or Project Owner (as the case may be, in respect of whose interests the arising conflict of interest pertains to) of his or her consent to cooperate further and to proceed with a financing transaction in the event of the conflict of interest situation.
42. If the Investor and / or the Project Owner decides to continue the cooperation and the Financing Transaction even in the event of a conflict of interest, the Associate shall act in such a way that neither the Company nor the Associates nor any other persons benefit from and / or avoid losses at the expense of the Investor and / or the Project Owner, and that losses at the expense of the Investor and / or the Project Owner are kept as low as possible.
43. The Company must collect documentation that can substantiate that the conflict of interest could not have been avoided, as well as documentation that can substantiate that the Investor and/or the Project Owner was duly informed of the potential or existing conflict of interest.
44. The Company shall have the following conflict of interest management measures in place:
  - 4.4.1. Investors shall be informed of conflicts of interest on the platform;
  - 4.4.2. The Project Owner's project shall be evaluated in accordance with the Company's internal procedures for employees of the Company who do not have any relationship with the Project Owner – such employees shall always be appointed by the Company's Chief Executive Officer, his / her delegate or the Company's Board of Directors;
  - 4.4.3. Contracts with Project Owners shall be signed, executed, monitored, terminated and referred for recovery by employees of the Company who have no relationship with the

Project Owner – such employees shall always be appointed by the Chief Executive Officer of the Company, or his / her delegate, or by the Board of Directors of the Company (in accordance with Clauses 3.2 and 3.3 of the Policy);

- 4.4.4. The measures taken to manage the conflict of interest shall be documented;
  - 4.4.5. Once a year, the details of evaluation of the Projects of such Project Owners, the terms and conditions of the financing granted to them, the progress of the financing, the execution of the contracts and the monitoring of the supervision shall be audited;
  - 4.4.6. If it is not possible to manage the potential conflict of interest and there is a risk that the interests of the Investors may be adversely affected, the Company shall refuse to enter into or continue any business relationship with such Project Owner.
45. In order to properly manage conflicts of interest, the Company shall also ensure that:
- 4.5.1. Associates are prevented from adversely influencing the Company, other Associates, the Investors and / or the Project Owners in order to obtain personal benefits;
  - 4.5.2. Associates are prevented from participating in specific decisions concerning the Investor and / or the Project Owner where such participation would undermine the effective management of the conflict of interest;
  - 4.5.3. Where an Associate directly involved in the valuation of Project Owners and the decision-making process regarding the financing of the Project (e.g., members of the Credit Committee) invests in Projects for personal purposes, this person shall inform the Company's head of the investment and obtain permission for it, and Investors shall be duly informed in accordance with the procedures set out in Clauses 2.7 and 3.4.8 of the Policy.

## **5. FINAL PROVISIONS**

- 51. The Policy shall come into force upon its approval and shall remain in force until amended, supplemented or repealed.
- 52. The Policy may be amended and supplemented only by a decision made by the Company's head. Amendments and additions to the Policy shall take effect from the date of their approval, unless otherwise specified in the amendments and additions themselves.
- 53. The Policy is published on the Company's internal server and platform.