

CONFLICTS OF INTEREST POLICY

(Directive 2004/39/EC; Directive 2006/73/CE; Regolamento della Banca d'Italia e della Consob ai sensi dell'art. 6, comma 2-bis, del T.U.F.)

MPS Capital Services Banca per le Imprese S.p.A. (“MPSCS” or “Bank”) forms part of a major Banking Group (Gruppo Montepaschi) and provides a wide range of investment and banking services. In accordance with its regulatory obligations, MPSCS informs its clients about its policies and procedures due to identify, manage and/or disclose the conflicts of interest, which arise in the regular course of business.

Definitions

Pursuant to the article 18 of the Directive 2004/39/EC, the Bank has to take all reasonable steps due to identify conflicts of interest, that may arise providing any investment and ancillary services or combinations thereof.

Opposite interests may occur between itself, including its managers, employees and tied agents, or any person directly or indirectly linked to the Bank and its clients or between one client and another.

Whereas organisational or administrative arrangements are not sufficient to prevent, with reasonable confidence, the risks of damage to client interests, the investment firm shall clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business on his behalf.

Due to identify, according to the Directive 2006/73/EC, the types of conflict of interest that may arise providing investment and ancillary services or a combination thereof and whose existence may damage the interest of a client, MPSCS takes into account, by way of minimum criteria, the issue of being the investment firm or a relevant person, or a person directly or indirectly linked by control to the firm, in any of the following situations, whether it is a result of providing investment or ancillary services or investment activities or not:

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

Conflicts of interest’s identification, notification and assessment

The Bank’s employees have to identify and notify to the Compliance Office the conflicts of interest that arise between the bank and its clients and between different clients. The Compliance Office, an independent office reporting directly to Bank’s CEO, is responsible for identifying, monitoring, preventing and managing conflicts of interest within the Bank’s activity.



CAPITAL SERVICES

Measures and arrangements adopted by an investment firm to manage the conflicts of interests

In particular, MPS Capital Services, to prevent and to manage possible conflicts of interest, has taken the following steps:

• Chinese Walls

The Bank adopts effective measures and arrangements to prevent and control the exchange of informations between relevant persons engaged in activities involving a risk of a conflicts of interest where the exchange of that information may harm the interests of one or more clients. The Bank prevents the improper distribution/exchange of confidential informations (including inside informations) by the establishment of information barriers, the separation of responsibilities and the restriction of access to certain departments of MPS Capital Services ("Chinese Walls").

• Separate supervision of relevant persons

The Bank adopts a separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients, whose interests may conflict or, who, otherwise, represent opposite interests, including those of the firm.

• Inappropriate influence

The Bank adopts measures to prevent or limit any relevant person from exercising inappropriate influence while carrying out investment or ancillary activities.

In particular, measures adopted are directed to grant the independence of:

- Employees that provide the investment service of subscription and/or placement with or without firm underwriting commitment or standby commitment to issuers;
- Sales from persons assigned to the portfolio management ;
- Employees that provide the investment advice service (providing personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments);
- Employees that provide investment research and financial analysis or other forms of general recommendation regarding transactions on financial instruments (equity research or evaluations relating to companies listed or due to list on Multilateral Trading Facilities – "MTF").

• Remuneration

The Bank adopts a remuneration policy that frees the employees' remuneration from the achievement of any target relating to financial instruments issued by Gruppo Montepaschi or relating to single financial instrument.

• Simultaneity

The Bank adopts measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities.

• **Watch List, Restricted List and Insider List**

Watch List is a financial instruments issuers list – admitted to trading or for which admission to trading has been requested on a regulated market or on a multilateral trading facilities – related to which the Bank has inside informations in connection to an operation on behalf of the issuers.

Watch List is the way by which the Bank monitors inside informations in order to avoid they are improperly used

Restricted List contains financial instruments issuers and or financial instruments – admitted to trading or for which admission to trading has been requested on a regulated market or on a multilateral trading facilities – which the Bank, in connection to an operation on behalf of the Issuer, is not allowed to trade.

Restricted List allows the Bank to respect the restrictions to the activity of dealing for its own account.

According to article 115 bis of Legislative Decree n. 58/1998 as amended, the Bank also establishes the Insider Register. This register contains a list of the persons who, in the exercise of their employment, profession or duties, have access to inside informations. Inside information means information of a precise nature relating, directly or indirectly, to one or more issuers of financial instruments or one or more financial instruments, which has not been made public and which, if it were made public would be likely to affect significantly the prices of those financial instruments.

• **Obligations of banks' corporate officers**

According to article 136 of Legislative Decree n. 385/1993 (the “Italian Banking Law”), the Bank adopts measures to avoid that the Bank contracts obligations and others agreements with bank’s corporate officers without a prior resolution adopted unanimously by the administrative body and the favourable vote of all the members of the control body.

• **Ethical Principles**

The Bank sets out principles, models and standards of behavior, which the employees are committed to while providing financial services and activities, such as integrity, honesty, fairness, impartiality and priority of the client’s interests. For these reasons, the Bank adopts a Code of behaviour to comply with the above mentioned principles.

• **Gifts**

The Bank doesn’t allow to its employees to offer or to give gifts or entertainment relating to clients relationships except modest gifts or ordinary business related entertainment.

Monitoring and updating of the Policy

The bank controls the effectiveness of the measures and arrangements adopted to manage the conflicts of interest and, if necessary, revises its procedures and policies.

Relevant amendment to the present conflicts of interest policy will be communicated to the clients.

For further informations, please do not hesitate to contact your usual MPS Capital Services contact.