

Based on Article 25 of the Regulation on Organizational Conditions for the Provision of Investment Services, Performance of Investment Activities and Additional Services, and Risk Management ("Official Gazette of the Republic of Serbia," no. 77/2022), the General Assembly of Shareholders of the Broker-Dealer Company Tesla Capital JSC Belgrade (hereinafter referred to as the "Company"), in a meeting held on December 28, 2022, adopts:

## **R U L E B O O K**

### **ON CONFLICT OF INTEREST MANAGEMENT POLICIES**

Broker-Dealer Company Tesla Capital JSC Belgrade

#### **1. INTRODUCTION**

##### **Article 1.**

The Company takes all appropriate measures to identify, prevent, or manage conflicts of interest arising from the provision of investment and additional services or their combination, including those resulting from receiving incentives from third parties or fee structures and other incentives within the Company itself:

1. between the Company, including its executives, employees, tied agents, and any person directly or indirectly affiliated with them through control, and their clients, or
2. between clients.

The Company is obliged to establish and implement effective organizational and administrative procedures with the aim of taking all reasonable measures to prevent conflicts of interest from adversely affecting the interests of clients.

##### **Article 2.**

If the organizational or administrative measures that the Company undertakes to prevent conflicts of interest and damage to clients' interests are not sufficient to reasonably prevent the risk of harming clients' interests, the Company must clearly disclose to the client the general nature and/or sources of the conflicts of interest and the steps taken to mitigate those risks before conducting business on their behalf.

The Company cannot receive fees, discounts, or non-monetary benefits to direct client orders to a specific trading venue or place of execution that would violate conflict of interest provisions.

#### **2. DEFINITIONS**

##### **Article 3.**

Certain terms in this regulation have the following meanings:

- 1) **Relevant person** – (1) a person with ownership participation in the Company or a tied agent, (2) a person in a managerial position in the Company or a tied agent (director, members of the board of directors, supervisory board) or a tied agent of the Company, (3) an employee in the Company or a tied agent, (4) any other natural person engaged by the Company or a tied agent to provide services within its competence, (5) a natural person directly involved in providing services to the Company or its tied agent based on a contract for the delegation of business processes, for the purpose of providing investment services or the company's activities;
- 2) **Personal Transaction** – a transaction with a financial instrument executed by or on behalf of a relevant person acting outside the scope of activities performed as a relevant person or executed for the account of a relevant person, a person related to the relevant person by family ties, or closely related to them within the meaning of the Law, or a person whose relationship with the relevant person is of such a nature that the relevant person has a direct or indirect material interest in the outcome of the transaction, excluding commission or transaction execution fees;
- 3) **Financial Instruments** are:
  - (1) Transferable securities - all types of securities that can be traded on the capital market, excluding payment instruments, specifically: shares and depositary receipts related to shares, bonds, and other forms of securitized debt, including depositary receipts related to the aforementioned securities, and other securities in accordance with the Law;
  - (2) Money market instruments: treasury, cash and commercial bills, and certificates of deposit, excluding payment instruments;
  - (3) Units of collective investment institutions;
  - (4) Options, futures, swaps, forward rate agreements, and other derivative financial instruments defined by the Law;
- 4) **Transactions Financing Securities** - transactions involving the borrowing of financial instruments, repo agreements or reverse repo agreements, or other transactions involving the purchase of securities and their resale, or the sale of securities and their repurchase;
- 5) **Client** – a legal or natural person to whom the Company provides investment or additional services, as well as a person who may become a client of the Company (potential client);
- 6) **Relevant Regulations** – the Law on the Capital Market ("Official Gazette of RS," 129/2021 – hereinafter referred to as the Law), regulations enacted under the Law, and other regulations that the Company is obliged to apply;

- 7) **Retail Investor** – any client of the Company who does not fall under the category of professional clients;
- 8) **Internal Control Activities** – activities monitoring the compliance of the Company's operations with relevant regulations.

#### **Article 4.**

In order to determine the types of conflicts of interest arising during the provision of investment and additional services or their combination, and whose existence may harm the interests of the client, the Company, using minimum criteria, considers whether the Company or a relevant person or a person directly or indirectly associated with the Company through control is in any of the following situations, either as a result of providing investment or ancillary services or conducting investment activities or for other reasons:

- 1) The Company or that person could likely gain financial benefit or avoid financial loss at the expense of the client;
- 2) The Company or that person has an interest in the outcome of the service provided to the client or the transaction executed on behalf of the client, which differs from the client's interest;
- 3) The Company or that person has a financial or other motive to prioritize the interest of another client or group of clients over the client's interest;
- 4) The Company or that person performs the same activity as the client;
- 5) The Company or that person receives or will receive an additional incentive related to the service provided to the client from a party that is not a client, in the form of monetary or non-monetary benefits or services.

### **3. CONFLICT OF INTEREST MANAGEMENT POLICY**

#### **Article 5.**

The Company establishes, implements, and maintains an effective conflict of interest management policy, prepared in written form and tailored to the size and organization of the Company, as well as the nature, scope, and complexity of its operations.

The conflict of interest management policy determines:

- 1) Circumstances that constitute or could lead to conflicts of interest involving the risk of harming the interests of one or more clients;
- 2) Procedures to be followed and measures to be taken to prevent such conflicts or manage them.

The Company assesses and periodically reviews, at least once a year, the conflict of interest management policy and takes appropriate measures to rectify any deficiencies.

#### **4. CIRCUMSTANCES THAT CONSTITUTE OR MAY LEAD TO CONFLICTS OF INTEREST**

##### **Article 6.**

Conflicts of interest between the Company, relevant persons, and all closely related entities on one side, and the clients of the Company on the other side, as well as conflicts between clients themselves, may arise during the receipt and execution of orders for the purchase/sale of financial instruments for the account of the Company's clients and orders from relevant persons when the Company is simultaneously presented with the same type of orders for the same financial instrument issued by the same issuer.

#### **5. INDEPENDENT JUDGEMENT**

##### **Article 7.**

When assessing the existence of conflicts of interest involving members of the management board, the Company identifies actual or potential conflicts of interest and assesses their significance, especially:

- 1) Economic interests (e.g., shares, other ownership rights and memberships, interests and other economic interests of clients, intellectual property rights, loans granted by the Company to entities owned by members of the management board);
- 2) Personal or professional relationships with owners of qualified shares in the Company;
- 3) Personal or professional relationships with Company employees or entities involved in credit consolidation (e.g., close family relationships);
- 4) Other current and recent job positions (e.g., within the last five years);
- 5) Personal or professional relationships with relevant external parties (e.g., ties to significant suppliers, consultants, or other service providers);
- 6) Membership in or ownership of an entity with conflicting interests;
- 7) Political influence or political connections.

##### **Article 8.**

The Company's management board should consider all actual and potential conflicts of interest at the management board level, document them, make decisions about them, and properly manage them. A member of the management board cannot vote on any matter if they have a conflict of interest related to that matter.

The Company informs the Securities Commission if they discover a conflict of interest that could affect the independent judgment of a management board member, including measures taken to reduce it.

If a person is a shareholder of the Company, has private accounts, loans, or uses other services of the Company or any entity within the consolidation framework, this alone

cannot be considered to affect the independent judgment of a management board member of the Company.

## **6. PROCEDURES AND MEASURES TO PREVENT AND MANAGE CONFLICTS OF INTEREST**

### **Article 9.**

Procedures and measures to prevent and manage conflicts of interest are designed to ensure that relevant individuals engaged in various business activities involving conflicts of interest perform these activities with a degree of independence appropriate to the size and activities of the Company and the group to which it belongs, and the risk of harm to the interests of clients.

Procedures and measures to prevent and manage conflicts of interest include:

1. Effective procedures to prevent or control the exchange of information between relevant individuals involved in activities that include the risk of conflicts of interest when such exchange of information could harm the interests of one or more clients;
2. Separate oversight of relevant individuals whose primary functions include performing activities on behalf of clients or providing services to clients whose interests could be in conflict or otherwise represent different conflicting interests, including those of the Company;
3. Elimination of any direct connection between the compensation policy of relevant individuals primarily engaged in one activity and the compensation policy or revenue earned by other relevant individuals primarily engaged in another activity in cases where a conflict of interest could arise in relation to those activities;
4. Measures to prevent or limit any person from exerting undue influence on how a relevant individual provides investment or ancillary services or performs activities;
5. Measures to prevent or control the simultaneous or consecutive participation of relevant individuals in specific investment or ancillary services or activities if such participation could harm the proper management of conflicts of interest.

### **Article 10.**

The Company ensures that disclosure to clients in accordance with Article 2 of this Regulation is the ultimate measure used only if the effective organizational and administrative measures established by the Company to prevent its conflicts of interest or manage them are not sufficient to reasonably ensure the prevention of the risk of harm to clients' interests.

The disclosure clearly states that the organizational and administrative measures established by the Company to prevent such conflict of interest or manage it are not

sufficient to reasonably ensure the prevention of the risk of harm to clients' interests. The disclosure includes a precise description of conflicts of interest arising in the context of providing investment and/or ancillary services, taking into account the nature of the client to whom the disclosure is addressed. The description explains the nature and sources of conflicts of interest and the risks to the client resulting from conflicts of interest, as well as the measures taken to mitigate these risks, in sufficient detail to enable the client to make a decision regarding the investment or ancillary service within which a conflict of interest arises. Excessive reliance on the disclosure of conflicts of interest is considered a deficiency in the Company's conflict of interest management policy.

## **7. MEASURES TO PREVENT CONFLICTS OF INTEREST**

### **Article 11.**

The Company keeps and regularly updates records of all types of investment and/or ancillary services or investment activities provided or carried out by the Company or on behalf of the Company in which a conflict of interest has arisen that could lead to the risk of harm to the interests of one or more clients, or in the case of a service or activity that is ongoing, where a conflict of interest may arise.

The senior management regularly receives, at least once a year, written reports on situations from this article.

## **8. REMUNERATION POLICIES AND PROHIBITED ACTIVITIES OF RELEVANT PERSONS**

### **Article 12.**

The Company is obliged to implement measures to eliminate any direct connection between the compensation policy of relevant individuals primarily engaged in one activity and the compensation policy or income earned by other relevant individuals primarily engaged in another activity, in cases where a conflict of interest could arise in relation to those activities.

### **Article 13.**

The Company establishes, implements, and maintains appropriate arrangements to prevent activities of all relevant individuals involved in activities that could lead to conflicts of interest or that, based on the activities they perform on behalf of the Company, grant them access to privileged information within the meaning of the Law or other confidential information related to clients or transactions with clients or for clients.

The Company ensures that relevant individuals do not engage in personal transactions that meet at least one of the following criteria:

1. The person is prohibited from entering into such transactions within the meaning of the provisions of the Law relating to market abuse;
2. The transaction involves the misuse or improper disclosure of confidential information;
3. The transaction is in conflict, or there is a likelihood that it may come into conflict, with the Company's obligations under the Law.

## **9. PREVENTIVE MEASURES TO AVOID PROHIBITED ACTIVITIES**

### **Article 14.**

The Company establishes adequate rules and procedures that ensure that the operations of the Company, its managers, employees, and tied agents comply with the provisions of the Law, regulations of the Securities Commission, as well as relevant rules related to the personal transactions of these individuals.

The Company ensures that relevant individuals, outside the scope of their employment or service contracts, do not provide advice or recommendations to other individuals to enter into transactions involving financial instruments that could lead to conflicts of interest.

The Company ensures that relevant individuals, outside the scope of their employment or service contracts, do not disclose information or opinions to other individuals if the relevant individual knows or should reasonably know that such disclosure would cause the other individual to undertake or is likely to result in a transaction involving financial instruments that, in the case of the relevant individual's personal transaction, would advise or induce the other individual to enter into such a transaction.

The required mechanisms are designed to ensure the following:

1. Every relevant individual is aware of the restrictions related to personal transactions and the measures established by the Company regarding personal transactions and disclosure.
2. The Company is promptly informed of each personal transaction entered into by a relevant individual, using notifications of such transactions or other procedures that allow the Company to identify such transactions.
3. Records are maintained of personal transactions that the Company has been notified of or has identified, including all authorizations or prohibitions related to such transactions.

Exemptions from the provisions on personal transactions do not apply to the following personal transactions:

1. Personal transactions carried out based on portfolio management services on a discretionary basis, within which there is no prior communication regarding the transaction between the person authorized to manage the portfolio and the

relevant individual or any other person on whose behalf the transaction is executed.

2. Personal transactions with publicly offered investment funds or alternative investment funds subject to supervision in accordance with the regulations of the Republic of Serbia that require an equally equivalent level of risk distribution for their assets, if the relevant individual and any other person on whose behalf the transaction is executed are not involved in the management of that entity.

### **Article 15.**

The Company establishes systems, controls, and procedures to determine or prevent conflicts of interest or their management resulting from possible excessively low or high offering prices or the participation of relevant parties in the process.

In particular, the Company establishes, implements, and maintains internal mechanisms to ensure the following:

1. The offer price does not emphasize the interests of other clients or the Company's own interests in a way that could conflict with the interests of the issuer's client.
2. Preventing or managing situations where individuals responsible for providing services to the Company's investor clients are directly involved in decisions related to corporate financial advice to the issuer's client regarding the price.

The Company provides clients with information about the method used to determine the recommendation for the offer price and the related timing.

The Company informs the issuer's client and collaborates with them regarding protection or stabilization strategies that it intends to implement in connection with the offer, including how these strategies may affect the interests of the issuer's client. During the offer process, the Company takes all reasonable measures to keep the issuer's client informed about movements in offering prices.

## **10. DATA RETENTION AND PREVENTION OF MISUSE OF CONFIDENTIAL OR INSIDER INFORMATION**

### **Article 16.**

Insider information includes the following types of information:

1. Information about specific facts that have not been disclosed, directly or indirectly related to one or more issuers of financial instruments or one or more financial instruments, which, if disclosed, would likely have a significant impact on the price of those financial instruments or the price of related derivative financial instruments.
2. Regarding derivative financial instruments on commodities, information about specific facts that have not been disclosed, directly or indirectly related to one or



more such derivative financial instruments or contracts for commodities on the spot market, which, if disclosed, would likely have a significant impact on the price of those derivative financial instruments or related contracts for commodities on the spot market, and if it is reasonably expected that such information will be disclosed or there is an obligation to disclose in accordance with the provisions of laws or regulations, market rules, contracts, practices, or customs in relevant markets of derivative financial instruments on commodities or commodity spot markets.

3. For individuals responsible for executing orders related to financial instruments, insider information also includes information about specific facts obtained from the client regarding the client's future orders, directly or indirectly related to one or more issuers of financial instruments or one or more financial instruments, which, if disclosed, would likely have a significant impact on the prices of those financial instruments, the price of related contracts for commodities on the spot market, or the price of related derivative financial instruments.

Insider information within the meaning of paragraph 1 of this article is information about specific facts when they indicate a series of circumstances that exist or can reasonably be expected to exist, or an event that has occurred or can reasonably be expected to occur, when they are sufficiently specific to enable conclusions about the impact of that series of circumstances or event on the prices of financial instruments, related derivative financial instruments, or related contracts for commodities on the spot market.

#### **Article 17.**

To prevent conflicts of interest and limit the flow of information between different organizational units of the Company, a so-called "Chinese Wall" mechanism is applied in the organizational structure. This mechanism allows access to confidential or insider information only by relevant individuals in organizational units who legitimately require such information to fulfill their business and professional duties.

If the established mechanism for safeguarding information in paragraph 1 of this article is insufficient to manage a potential conflict of interest in a specific situation, the Company will take additional measures. After considering all the facts regarding the availability of information to relevant individuals, the Company will establish information flow restrictions for a particular transaction at a higher level.

#### **Article 18.**

Members of the management and employees of the Company are obliged to keep the following as trade secrets:

1. Information about clients;
2. Information about the status and transactions on the accounts of their clients;

3. Information about the services provided to clients;
4. Other information and facts learned during the provision of services.

The Company must not use, disclose to third parties, or allow third parties to use the information from paragraph 1 of this article.

Information from paragraph 1 of this article can only be made available and disclosed to third parties:

- 1) With the written consent of the client;
- 2) During the supervision conducted by the Securities Commission, CRHOV, or the market organizer;
- 3) Based on a court order;
- 4) Based on an order from the authority responsible for anti-money laundering or counter-terrorism financing;
- 5) Based on an order from another competent state authority.

## **11. REPORTING AND SUPERVISION**

### **Article 19.**

Supervision of compliance with and implementation of the provisions of this Regulation is the responsibility of the person in charge of internal control affairs of the Company.

The person in charge of internal control affairs is required to carry out daily procedures to monitor compliance with the provisions of this Regulation in the Company, in accordance with the provisions of this Regulation. In the event of any observed existence or suspicion of possible violations of the provisions of this Regulation, the person in charge of internal control affairs is required to inform the Company's management thereof in writing.

## **12. FINAL PROVISIONS**

### **Article 20.**

This Regulation is an integral part of the Rules and Procedures of the Company's operations and comes into effect on the eighth day from the date of publication on the Company's website.

This Regulation will be published on the next working day after receiving approval for the Rules and Procedures of the Company's operations.

CHAIRMAN OF THE GENERAL ASSEMBLY OF SHAREHOLDERS

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