



# Conflict of Interest

bpES | bp Energy Solutions, Sociedad de Valores, SA

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## Introduction

In accordance with the provisions of Directive 2014/65/EU of the European Parliament and of the Council, of May 15, 2014, relating to financial instrument markets and amending Directive 2002/92/EC and Directive 2011/61/EU (hereinafter: "MiFID II"), the Commission's Delegated Regulation 2017/565, of April 25, 2016, which completes the MiFID II Directive (hereinafter, "Delegated Regulation 2017/565"), the Exchange Act Consolidated Text (hereinafter, "TRLMV"), and Royal Decree 217/2008, of February 15, of the legal regime of investment services companies (hereinafter, "RD ESI"), companies that provide investment services should organise and take measures to detect potential conflicts of interest between their clients and the company itself or its group, including its officers, employees or persons linked to it, directly or indirectly, by a control relationship; or between the different interests of two or more of your customers, against each of which the company maintains obligations, including potential conflicts of interest arising from receiving incentives.

In particular, BPES, S.V., S.A. (hereinafter, "bpES", the "SV" or the "ESI"), while providing investment services, must approve, apply and maintain this conflict of interest management policy (hereinafter, the "Policy"), intended to establish the principles that must be observed to prevent conflicts of interest that may arise to the Entity in the provision of investment and ancillary services from harming the interests of its clients.

Specifically, this Policy aims to:

- Identify the circumstances that, in the course of their activities, give rise to or may give rise to a conflict of interest that involves a risk of harm to the interests of one or more clients.
- Specify the procedures and measures to be taken to properly manage and mitigate such conflicts.
- Establish the rules for conducting the conflict-of-interest registry.

The obligations contemplated in this Policy, as well as the regulations of the applicable Group, constitute the Entity's mandatory framework in matters of conflicts of interest

## 1 Scope of Application

This Policy applies to the SV, its directors, employees, agents or persons related to it, directly or indirectly, by a control relationship (hereinafter, "**Subject Persons**", or, individually, the "**Subject Person**"). In particular, the Policy shall apply to all employees who participate, directly or indirectly, in the provision of investment and/or ancillary services, regardless of their position or position in bpES. In addition, this Policy shall apply to all those persons or bodies responsible for supervision of bpES as detailed below.

### 1.1 bpES Supervision Departments

The personnel and departments of the Entity involved in the application of the Policy are the following:

➤ Board of Directors

It shall be responsible for ensuring that the procedures and measures established in this Policy are complied with, as well as for their approval and dissemination. In this regard, it must guarantee and, where appropriate, provide the Entity with sufficient means for its correct compliance. The Board of Directors will periodically receive information from the Compliance Unit regarding the degree of compliance with this Policy.

➤ Responsible for Business Areas

Area owners will be responsible for completing the following tasks:

- Identify those circumstances where a potential conflict of interest exists and report it to the Compliance Department.
- Agree, together with the head of the Compliance Unit, on the necessary measures for the management of conflicts of interest that may have occurred in the Entity.
- Inform the employees of the business areas of the existence of this Policy and the obligations derived from it.

➤ Compliance Unit

You will be responsible for performing the following tasks:

- Agree, together with those responsible for the business areas, the necessary measures for the management of conflicts of interest that may have occurred in the Entity.
- Address communications and requirements received from the Comisión Nacional del Mercado de Valores or National Securities Market Commission (hereinafter, the "CNMV") in relation to the measures adopted by the Entity for the management of conflicts of interest.
- Review the Policy annually and verify that it complies with current regulations. If applicable, propose modifications to the Board of Directors.
- Keep and maintain the record of conflicts of interest that have occurred (or are likely to occur) in the Entity (hereinafter, the "Conflict of Interest Record")
- Periodically inform the Board of Directors of the degree of compliance with the obligations established in this Policy, especially any breach or relevant incident that has been detected.

➤ Internal Audit Department

It shall be responsible for verifying the supervision tasks carried out by the Compliance Unit, to evaluate the adequacy and effectiveness of the Entity's internal control systems and procedures.

## 2 Definition of Conflict of Interest

A conflict of interest is considered to exist when, in a particular situation, the Entity can obtain a benefit or avoid a loss and there is in turn a possible correlative damage to a customer, or when a customer can obtain a profit or avoid a loss and there is a possibility of concomitant loss for another customer. In other words, a conflict of interest may arise when personal, professional, social, financial or political interests (or activities) interfere with your responsibilities to bpES or your ability to make objective decisions for bpES.

For a conflict of interest to occur, it is not sufficient for the Subject Person to obtain a benefit (or avoid a loss) but rather that there must also be a possible loss or other disadvantage to the customer. Specifically, the following conflicts of interest can be identified within the Entity's activity:

- Conflicts of interest between the SV and one or more clients.
- Conflicts of interest between clients.
- Conflicts of interest between the Subject Persons and one or more clients.
- Conflicts of interest between the Entity and the Subject Persons arising from personal interests.

In relation to the identification and management of conflicts of interest, the following will be considered:

- The size, organization, nature, scale and complexity of the Entity;
- The fact that different business units may have different classes of customers;
- the specific services and activities performed by the SV; and
- the risk that a conflict of interest could adversely affect the interests of a customer, a group of customers, or all of our customers.

## 3 Identification of potential Conflict of Interest

The obligations contained in the Policy shall apply to all investment and ancillary services that the Entity may provide according to its schedule of activities: (i) Receiving and transmitting customer orders; (ii) Execution of orders on behalf of customers; (iii) Dealing on own account, and or (iv) Investment advice.

bpES, when identifying whether a situation is potentially originating from a conflict of interest, considers, as a minimum criterion, whether the Entity itself, or a competent person or another person directly or indirectly linked to it through a control relationship, is in any of the following situations, either as a result of the provision of investment and/or ancillary services or for other reasons:

- The Entity or person in question may obtain a financial benefit, or avoid a financial loss, at the customer's expense, or,
- has an interest in the result of the service provided or the operation carried out on behalf of the customer, other than the customer's own interest in that result, or,
- providing services to multiple clients or potential clients with opposite interests in relation to the same transaction, or,
- has financial or other incentives to further the interests of third-party clients, versus the interests of the client in question, or,
- the professional activity is identical to that of the client, or,
- delivery by bpES or any person subject to gifts or invitations to events to customers; otherwise, receipt of gifts or invitations to events from customers; or,
- access to information that is not public and that could be privileged in nature, relating to a client or to a transaction or possible transaction that the latter will carry out, or,

- receives, or will receive, from a third party an incentive in relation to the service provided to the customer, in money, goods or services, other than the usual commission or remuneration for the service in question

## 4 General Principles for Conflicts of Interest Management

A conflict of interest may be potential or actual, may come from the Entity and its employees (internal) or third parties (customers, suppliers). Therefore, to avoid or properly manage conflicts of interest, when providing investment services or ancillary services, the Subject Persons must assume as general principles of conduct that they act with **honesty, impartiality and professionalism**, in the best interest of their clients.

For these purposes, the Subject Persons:

- They must act in the interest of the Entity, trying to avoid situations of conflicts of interest.
- They may not participate in decisions or vote on matters in which they have a personal conflict of interest.
- They may not compete against bpES or use their position to obtain an improper financial or equity advantage or that may be perceived as improper;
- You may not use or share bpES information, assets or resources for your own or third parties' benefit;
- May not work for, or provide services to, anyone outside of bpES where this may interfere with their responsibilities to bpES, or their ability to make objective decisions for bpES, unless disclosed and recorded in accordance with this Policy;
- You must refrain from conducting business for bpES with a close relative<sup>1</sup> or a person with a close linkage or relationship<sup>2</sup>, also refraining to promote the interest of bpES through those persons, unless disclosed and recorded in accordance with this Policy;
- Must avoid or disclose investments, including known investments of a close relative or person with whom you have a close relationship, that may create a conflict of interest

## 5 Measures to Prevent Conflict of Interest

The Entity has the necessary measures that prevent the flow of information between the different areas or lines of business of the Entity, between the areas of intermediation on behalf of others, intermediation or negotiation on own account and investment advice. In this way, it is intended to prevent or control the exchange of information between Subject Persons who participate in risk activities.

In addition, the Entity's internal organization is defined to prevent or limit the possibility of any person exerting an inadequate influence on the way in which a Subject Person carries out investment or ancillary services or activities. In this sense, the internal organization has the objective of avoiding a simultaneous or consecutive participation of the Subject Person when this participation could negatively affect the management of conflicts of interest.

Finally, the Entity has a remuneration policy in compliance with applicable regulations to prevent the remuneration system of the Subject Persons from generating conflicts of interest. Such policy provides for the suppression of any direct relationship between the remuneration of

<sup>1</sup> For these purposes, close relations shall mean those relating to birth, adoption or marriage:

- 1) The spouse of the competent person or any person attached to him by an analogous relationship, in accordance with national legislation.
- 2) The children or stepchildren who are under the responsibility of the competent person.
- 3) Grandparents or grandchildren, siblings and uncles or nephews

<sup>2</sup> Close linkages shall mean any set of two or more natural or legal persons united by: (i) the holding directly or indirectly, or by a control link, of 20 per 100 or more of the voting rights or capital of a company, or (ii) a control link under the terms of article 5 of the TRLMV, of the Securities Market

relevant persons who primarily engage in an activity and the remuneration of other relevant persons who primarily engage in another activity, or the income generated by them, where a conflict of interest may arise in connection with these activities.

### 5.1 Measures intended to prevent inappropriate use of Information

- Measures intended to maintain separation between independent business areas:
  - Establishment of separation barriers and computer barriers, databases, emails, etc., understanding by such barriers any physical, electronic, or other element, to ensure that the separate departments or areas are watertight compartments.
  - Establishment of periodic controls and checks of the effectiveness of the barriers. When these barriers work effectively, they can also avoid potential market abuse situations.
  - Functional separation of employees assigned to the different departments, especially those related to the provision of the different investment or auxiliary services.
  
- Specific measures and procedures to adequately control the transmission of information between separate business areas and, if applicable, to third parties, including:
  - Standard procedures for transmitting information between separate areas.
  - Communication to the Compliance Unit of the transmission of privileged or sensitive information to persons hierarchically above barriers, in the case of especially relevant or sensitive information.
  - Possibility of transmitting sensitive or privileged information to third parties, only in strictly necessary cases and when a confidentiality commitment has been signed.
  - The remuneration of employees of an area that provides investment and/or auxiliary services may never be set by a manager who belongs to another area with which there is or may be a conflict of interest. In this sense, compensation criteria have been established within the Entity that reasonably guarantee the objectivity and independence of the services that are provided, without the interest of one business area being primed over another. Likewise, the remuneration schemes within each area have been designed in order to avoid the generation of conflicts of interest between the Entity and its clients.
  - Limitations on the possibility that a third party may exert an inadequate influence on the decisions made by the Entity.

### 5.2 Applicable Measures in the Processing and Execution of Orders

The Entity has an Order Execution Policy to comply with the obligations to act in the best interest of the customers as established by the applicable regulations. This section should also be understood as close related to bpES Market Abuse Policy

In any case, the Subject Persons who, in their professional activity, order, process, execute or settle orders on securities, must:

- refrain from the preparation or performance of practices that falsify the free formation of prices or cause, for their own benefit or for the benefit of others, an artificial evolution of quotes;
- they shall not place orders for the purchase or sale of securities on their own behalf before those of customers of equal characteristics, always giving priority to the legitimate interests of the customers;
- will not put the purchase or sale orders of derivatives of one customer before those of another and instead should follow the rules of best execution;
- they must ensure that when orders are processed in a grouped manner, either on their own account or on behalf of others, the distribution of the securities purchased or sold occurs without prejudice to the customers, and that no profit is generated in favor of one another and to the detriment of others;

- Refrain from taking any position in advance, knowingly customer's or client's intent on a position, or taking a position in own benefit or the benefit of another client;
- in no case will they multiply the operations unnecessarily, especially if this doesn't translate into a benefit for the customer;
- in the transactions carried out against the own portfolio, the margins applied in these transactions must be adequate and not result in a disadvantage or detriment to the customer in comparison to market conditions.

## 6 Conflict of Interest Management Procedure

The procedures to prevent conflicts of interest from occurring, as well as for the management thereof, if they occur, are as follows:

- Identification.

When a situation arises that may produce a conflict of interest, the person who detects the situation or is involved in the situation that generates the conflict must immediately inform his or her Line Manager, who, in turn, must immediately escalate it to the Compliance Unit and, where appropriate, to Senior Management, indicating all the known circumstances around the conflict of interest. Senior Management will adopt the necessary monitoring or correction measures so that, in no case, the situation results in harm to a client and, where appropriate, will inform the Board of Directors.

Those responsible for each area or department of the Entity will therefore be responsible for identifying conflicts in their department where there is a significant risk of harming the interest of a client or plurality of clients. Such conflicts of interest shall be incorporated into the E&C Register (Conflicts of Interest Register / see Section 8 below) to be maintained by the Compliance Department.

- Avoidance.

Efforts will be made to avoid the effective appearance of conflicts of interest, establishing, to the extent possible, the guidelines and measures for the management of conflicts of interest that cannot be prevented, to avoid harm to clients.

- Disclosure.

In those cases in which the mechanisms established by the Entity are insufficient to ensure the conflict of interest doesn't affect a client, and therefore is considered unavoidable, the disclosure to the affected customer or client will take place prior to the provision of service or conclusion of an operation as a last resort measure.

## 7 Conflict of Interest Communication

Any employee or subject person who becomes aware of an actual, potential, or perceived personal conflict of interest must disclose such conflict of interest to his or her Line Manager and the Compliance Department, who must investigate the conflict and implement appropriate measures to manage it. All of this must be perfectly documented in the E&C Register (Conflicts of Interest register), as detailed in section 8 of this Policy.

Additionally, all employees of the Entity and all subject persons must inform the Entity, through the Compliance Unit, of any personal or family, economic or any other situation that may constitute a conflict between the personal interests of said person and those of a client of bpES or of the SV itself.

This conflict situation is considered to occur at least when the subject person or any person or entity with whom he or she has a relationship or close relationship is in one of the following cases:



- Membership of the Board of Directors or Senior Management of a company with a scope of activity concurrent with that of the Entity.
- Significant shareholding in companies with a scope of activity concurrent with that of the Entity.
- Significant shareholding or other personal interest in a customer of the Entity.

Such communication shall occur, without delay, from the time of occurrence or when the circumstance is known or should have been known by the person.

For the purposes of this communication, the concept of conflict of interest reflected in section 2 of this Policy will not apply, but rather a broad concept of conflict of interest.

## 8 E&C Register / Conflict of Interest Registry

The Entity, through the Compliance Unit, will maintain an updated record with the information necessary to identify potential conflicts of interest effectively produced, as well as information on the measures taken to minimize potential conflicts or those effectively produced.

In particular, the Registry will contain the following information:

- Area where the conflict has occurred.
- Identity of the Subject Person who has been exposed to the conflict.
- Date on which the conflict of interest originated and date of registration, in cases where it is a conflict of interest that has actually occurred and not a potential conflict.
- The financial instruments or investment or ancillary services with respect to which the conflict arises.
- Detailed description of the conflict.
- Measures for conflict management and mitigation.

The Registry shall be maintained for a minimum period of five (5) years from the date the specific conflicts of interest originated. Likewise, any changes made to it must be saved for the same period of time.

## 9 Customer Information and Conflict of Interest Disclosure

This Policy is available to customers. In those cases in which the mechanisms established by the Entity are insufficient to prevent the conflict of interest causing harm to customers, the disclosure thereof to the affected customers prior to the provision of the service will proceed, as a last resort measure.

The communication must clearly indicate that the organizational and administrative measures established by the Entity to prevent or manage such conflict are not sufficient to guarantee, with reasonable certainty, that the risks of harm to the interests of the client will be prevented. The communication will include the specific description of conflicts of interest arising in the provision of investment services or ancillary services, taking into account the nature of the client to whom the communication is addressed. The description will explain the general nature and origin of the conflicts of interest, as well as the risks that arise for the client as a result of such conflicts and the measures taken to mitigate those risks, in sufficient detail so that the client can make an informed decision in relation to the investment or ancillary service in the context from which the conflict of interest arises

## 10 Policy Review, Modification and Approval

The approval of this Policy corresponds to the Board of Directors of bpES, as well as subsequent modifications that occur. The Policy will be updated and/or modified at least in the following cases:

- When legal or regulatory changes occur that affect the Policy.
- When new services are included in the schedule of activities that require it
- At the proposal of the Compliance Unit when it understands that there are aspects susceptible to improvement in compliance with internal standards of conduct

### 10.1 Document Information

Name	
Master Version	
Location	
Version	
Date	

### 10.2 Version and historical control

Version Number	Author (Name, Role)	Comments	Date