

POLICY ON THE AVOIDANCE AND MANAGEMENT OF CONFLICTS OF INTERESTS

I. GENERAL PROVISIONS

1. This Policy (the **Policy**) for identifying, avoiding and managing conflicts of interest of UAB “PROCENTAS”, legal entity code 301494583, domicile address K. Donelaičio str. 78, Kaunas (the **Company**) sets out the measures to identify and avoid any conflicts of interest that may arise when the Company operates as a crowdfunding platform operator of www.heavyfinance.eu (hereinafter – **Platform**) that may adversely affect the interests of the Funders or the Project owners or properly manage these conflicts of interest.
2. The Policy has been prepared in accordance with the provisions of the Law on Crowdfunding of the Republic of Lithuania and other legal acts applicable in the Republic of Lithuania.
3. The Manager of the Company is responsible for the implementation of this Policy in the Company's activities.

II. DEFINITIONS

4. Capitalised terms used in this Policy shall have the following meanings, unless the context requires otherwise:
 - 4.1. **Funder** – a customer of the Company who, through a crowdfunding Platform operated by the Company, is seeking to finance or has financed the Project.
 - 4.2. **Close relations** – a situation in which two or more natural or legal persons, other entities and bodies are linked by:
 - 4.2.1. participation relations when at least 1/5 of the capital or voting rights of an undertaking is held directly or by way of control;
 - 4.2.2. control relations covering the relationships between a parent undertaking and a subsidiary arising on the basis of control, also other similar relationships between a natural or a legal person and an undertaking, a subsidiary undertaking of an undertaking's subsidiary undertaking also being considered a subsidiary of the previous undertaking;
 - 4.2.3. permanent control relations with the same person – a situation in which two or more natural or legal persons are permanently linked to one and the same person by a control relationship shall be regarded as constituting a close link between all of these persons.
 - 4.3. **Company** – UAB “PROCENTAS”, legal entity code 301494583, domicile address K. Donelaičio str. 78, Kaunas.
 - 4.4. **Law** – Law on Crowdfunding of the Republic of Lithuania.
 - 4.5. **Platform** – a crowdfunding platform administered by the Company.
 - 4.6. **Policy** – this document.
 - 4.7. **Project** – a project prepared for business, professional, scientific, research and other purposes, other than consumption, and published on the Company's Platform, for the implementation of which the Project Owner seeks to attract the crowdfunding.

- 4.8. **Project Owner** – a customer of the Company who has attracted or seeks to attract funding for the Project under development through the crowdfunding Platform administered by the Company.
 - 4.9. **Customer** – a user registered on the Platform administered by the Company who has concluded or seeks to conclude a crowdfunding transaction.
 - 4.10. **Manager** – director of the Company.
 - 4.11. **Related persons** – employees, managers, shareholders of the Company and persons closely related to them.
5. Other terms used in the Policy shall be understood as defined in the Law or in the Platform Use Agreement, unless the context otherwise requires.

III. IDENTIFICATION AND MANAGEMENT OF CONFLICTS OF INTEREST

6. Conflicts of interest within the Company may arise in the following key areas of practice:
 - 6.1. In selecting the Projects to be published on the Platform, the priority is given to the Projects and their owners related to the Company (or Related Persons);
 - 6.2. Funders and/or Project Owners are treated more favourably than other Funders or Project Owners due to their direct or indirect relations with the Company (or Related Persons);
 - 6.3. Related persons may enter into Funding Transactions at their own expense using non-public information known to them;
 - 6.4. Funders are given the opportunity to finance the Project under the terms more favourable than other Funders;
 - 6.5. Project Owners may seek to raise funds for the conduct of business relations with persons associated with the Company;
 - 6.6. Project Owners may be given the opportunity to post a Project on the Platform on the terms more favourable than other Project Owners.
7. In order to properly identify, assess and avoid or manage conflicts of interest in its activities, where they cannot be avoided, the Company shall continuously monitor and identify situations where:
 - 7.1. The Company (or a Related Person) has an interest in the outcome of the service rendered to the Funder and/or Project Owner or as a result of a Funding Transaction concluded at the expense of the Funder and/or Project Owner other than that outcome of interest to that Funder and/or Project Owner;
 - 7.2. The Company (or a Related person) has a financial or other interest in favouring the interests of one Funder and/or the Project Owner over the interests of the other Funders and/or Project Owners;
 - 7.3. The Company (or a Related person) receives, or will receive, not from the Funder and/or Project Owner, the incentive measure that is related to the Funder and/or Project Owner and/or the service provided to the Funder and/or Project Owner or the financing transaction signed by him, and which can be provided in the form of money, goods or services, except in such a case as payments normally made.
 - 7.4. The Company (or a Related person) may have financial benefits or avoid financial losses at the expense of the Funder and/or Project Owner;
8. Where a conflict of interest cannot be avoided, the Company shall make every effort to manage this conflict of interest and shall disclose to the Funders and Project Owners, in respect of whom such a conflict of interest exists or may occur, all information relating to this conflict of interest.

9. In the event of a conflict of interest, the Company will in all cases seek to ensure that it acts in good faith, in the best interests of the Funders and Project Owners.

IV. CONFLICT OF INTERESTS

10. The Company shall endeavour to reconcile as far as possible the interests of its Customers and in all cases ensures that Customers are treated fairly and in their best interests. However, potential or actual conflicts of interest may inevitably arise in the Company's operations. In order to avoid conflicts of interest, or where it is not possible to manage them properly, the Company that encounters conflicts of interest will follow the provisions of this Policy.
11. A conflict of interest arises when the financial or other interests of the Company (or its Customers) differ from those of the Company's Customers, except as provided for in contracts concluded between the Company and the Customers.
12. Conflicts of interest in the Company's activities may arise between:
 - 12.1. Company's Related Persons and Customers;
 - 12.2. Company's Customers and other Company's Customers.

V. AVOIDANCE OF CONFLICTS OF INTEREST

13. The Company applies conflict of interest avoidance as a key tool in managing potential conflicts of interest.
14. The Company also takes the following measures to avoid conflicts of interest:
 - 14.1. the Company's employees, manager and shareholders are committed to confidentiality, integral and professional treatment of the Funders and the Project Owners, always seeking to take into account the interests of the Funders and Project owners, independently of other Funders and Project owners, other activities, the Company or other Related persons;
 - 14.2. the employees, manager and shareholders of the Company are made aware of the obligation to immediately notify the manager of the Company (in the case of the manager – the General Meeting of Shareholders) of any situations that cause or may cause a conflict of interest;
 - 14.3. ensure that the applicable Compensation Scheme for Related Persons does not allow the Related Persons to derive financial benefits from situations that cause or are likely to cause conflicts of interest;
 - 14.4. prohibit the Company employees, manager and shareholders from publishing, exchanging information known to them that may adversely affect the interests of the Funders or the Project Owner, disclosing information that is not publicly available, and any other information related to the Funders or Project Owner that it is not necessary to perform the direct functions of the Company's employees or manager in the Company;
 - 14.5. ensure that all Funders have access to the same information regarding the Project Owners and their Projects for all, and that Related Persons may not, for their own benefit or for the benefit of others, obtain additional sensitive information;
 - 14.6. verify that the Company's employees are able to access and work only with the information necessary for the performance of their functions;
15. In avoiding conflicts of interest, the Company shall ensure that:
 - 15.1. all employees, manager and shareholders of the Company, in the performance of their functions, determine whether there is a conflict of interest;

- 15.2. the shareholders, manager and employees of the Company declare and periodically update information about the persons with whom they have close relations by completing the declaration form for the declaration of interest provided for in Annex 1 to this Policy and submitting it to the manager of the Company;
 - 15.3. having identified the potential risk of a conflict of interest, the employee or shareholder of the Company shall immediately inform the manager of the Company of the potential conflict of interest and indicate the nature of the potential conflict of interest;
 - 15.4. all actions taken by the Company in relation to the Funder and the Project Owner are based on the interests of the Customers and are carried out objectively and impartially.
16. Upon receipt of a notice from an employee or shareholder of the Company, the manager of the Company shall consider its reasonableness and make a decision regarding the reported conflict of interest. The decision of the manager shall provide for the avoidance or management of conflicts of interest (e.g. removal of an employee from the function and appointment of another employee, authorisation of the employee to continue his/her functions (or concluding a transaction related to the conflicts of interest), including the measures to ensure that the conflict of interest is controlled).
17. The manager of the Company (or a responsible person appointed by the manager of the Company)) continuously monitors and evaluates whether the measures taken by the Company to avoid and manage conflicts of interest are properly implemented and effective. In performing these functions, the manager of the Company (or a person authorised by the manager of the Company):
- 17.1. informs the Company's employees, manager and shareholders about the conflict of interest management procedures implemented in the Company;
 - 17.2. advises the Related persons whether a potential or actual conflict of interest exists in a particular situation and how it should be managed;
 - 17.3. performs other actions aimed at the proper and timely identification and management of conflicts of interest;
 - 17.4. periodically, but at least once a year, reviews the provisions of the Policy and the Company's internal procedures and ensures their compatibility with the legal requirements applicable to the Company's activities.

VI. MANAGEMENT OF CONFLICTS OF INTEREST

18. In the event that the Company determines that a conflict of interest cannot be avoided and may affect or adversely affect the interests of the Funder or the Project Owner, the Funder and/or the Project Owner must be informed of the conflict of interest, indicating the nature, source of the conflict and the means of appropriate management of such conflict.
19. The Company must collect documentation to demonstrate that the conflict of interest could not be avoided and/or to confirm that the potential or existing conflict of interest has been properly identified and managed.
20. In cases where the Project Owner is related to the Company by property or other relationships (through managers, shareholders, etc.), the Company selects and applies one or more of the following measures of the management of the conflict of interest:
- 20.1. Funders are informed of the relationship between the Project Owner and the Company in the Project Description;
 - 20.2. the Project of the Project Owner shall be assessed in accordance with the internal procedures in force in the Company by those employees of the Company who have no relations with the

- Project Owner; such employee is appointed by the manager of the Company or by a person authorised by him;
- 20.3. contracts with Project owners are signed, executed, supervised, decisions on their termination and transfer for recovery are made by those employees of the Company who have no relations with the Project Owner;
 - 20.4. the measures taken to manage conflicts of interest are documented;
 - 20.5. ensures that, in the event that the Project Owner fails to fulfil its obligations under the crowdfunding agreement, it is subject to the same effective safeguards as the Project Owners not affiliated with the Company (including applicable fines, recovery and other safeguards);
 - 20.6. if there is no possibility of managing a potential conflict of interest and there is a risk that the interests of the Funders may be adversely affected, the Company refuses to enter into or maintain a business relationship with such Project Owner;
21. In order to properly manage conflicts of interest, the Company shall also ensure that:
 - 21.1. the Related Persons, for the purpose of personal gain, should not adversely affect the Company, other Related Persons, the Funders or the Project Owners;
 - 21.2. the Related Persons would not be able to participate in adopting specific decisions regarding the Funder or the Project Owner if such involvement would undermine the effective management of conflicts of interest;
 - 21.3. in cases where the Company's employee or shareholder directly working with the Project Owners' assessment funds the Projects for personal purposes, he or she must inform the Company's manager and obtain permission to do so. In all cases, it shall be ensured that such funding is provided on terms no more favourable than those of other Funders.
 22. In cases of an existing or potential conflict of interest that cannot be avoided or adequately managed by the means specified in the Policy, the Company shall inform persons who may be adversely affected by the conflict of interest and its intended actions to avoid or manage it.

VII. MANAGEMENT OF CONFLICTS OF INTEREST BETWEEN FUNDERS AND PROJECT OWNERS

23. The Company shall ensure that all Funders are accorded the same terms and conditions for funding Projects published on the Platform, except when:
 - 23.1. Funders exceed the pre-defined funding limits published on the Platform and therefore get more favourable conditions;
 - 23.2. More favourable conditions are provided to the Funders for advertising purposes or for attracting additional Customers;
 - 23.3. In other cases, disclosed in advance to the Funders.
24. The Company shall disclose information on all the more favourable conditions provided for in clause 23, which are granted to the Funders, on the website of the Platform it administers, along with information on the funding conditions for specific Projects.
25. The Company ensures that Project Owners can publish Projects on the Platform and raise funding for these Projects under the conditions known in advance.
26. In certain cases, especially at the beginning of the Company's operations, Projects may also be published on the Platform by Related Persons. In such cases, the Company shall always expressly disclose information about this on the Platform, while also disclosing potential conflicts of interest and their management methods to potential funders before they can finance these Projects.

27. In certain cases, the Company may propose to the Project Owner, who has published the Project on the Platform, to reduce the amount sought for financing. In order to manage potential conflicts of interest related to this opportunity, the Company announces such opportunity in the Platform along with information on a particular project. Similarly, by offering the Project Owner a reduction in the amount to be collected, the Company shall ensure that the amount sought is in any event not reduced by more than 25% of the original amount sought.
28. The Company may, in certain cases, if necessary, extend the term of financing the published Project. In such a case, the Company shall ensure that the term which is extended does not exceed the duration of the previous term.
29. In certain cases, the Project Owners may acquire assets from Persons Related to the Company in order to implement the Projects. In such cases, the Company shall ensure that transactions are carried out under the arms length principle and that a reliable and independent valuation of the acquired assets is obtained.
30. In all cases, the Company will inform its Customers about the decisions made in accordance with Clauses 26 – 29 of this Policy or the existing circumstances, in respect of which conflicts of interest may arise, and will publish them on the Platform it administers.

VIII. FINAL PROVISIONS

31. This Policy shall be approved, amended or supplemented by the order of the manager of the Company. Amendments and additions to the Policy shall take effect on the date of the Company's Order, unless otherwise stated in the Order.
32. The Policy shall become effective upon its approval and shall remain in effect until amended, supplemented or revoked.
33. The Policy is published on the Website of the Platform administered by the Company.

ANNEX 1

FORM OF DECLARATION OF INTEREST

[...] [...] 20[...]

Full name

Position title (basis of management)

1. Do you participate in the activities of other legal entities – are you a direct or indirect beneficial owner of at least 1/5 of the Company's authorised capital or voting rights?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>
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If you answered 'Yes' to the question above, fill in the table below:

Company name	Registration number of legal entity	Share holding/Share of voting rights

2. Are you or legal entities controlled by you related to other legal entities (subsidiaries, parent companies)?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>
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If you answered 'Yes' to the question, fill in the table below:

Company name	Registration number of legal entity	Type of control relation

3. Are you in a permanent relationship of control with other natural or legal entities (together you participate in the activities of other legal entities, manage legal entities)?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>
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Company name/Personal name	Registration number of legal entity/Date of birth of the natural person	Type of control relation

Other information

Provide any other information about any other circumstances or situations that may cause conflicts of interest in the Company's operations or may affect your objectivity and independence in the performance of your working duties.

I confirm that I have read, understood and undertake to follow the policy on the avoidance and management of conflict of interest of UAB [...]

I certify that all information provided in the Form of Declaration of Interest is correct and complete.

I undertake to update this Form of Declaration of Interest every time there is a material change in circumstances/new information, but at least once a year.

Signature