

Managing Conflicts of Interest

Introduction

While running our operations we are committed to implementing and complying with the highest ethical standards. We also feel obliged to apply established best practices in the peer-to-peer lending industry and respect all statutory and regulatory obligations.

As part of this commitment, Žltý melón seriously approaches the issue of potential conflicts of interest. We therefore feel obliged to consistently identify and manage any potential conflicts of interest arising amongst companies operating the portal Žltý melón. Those companies are: iService, a.s.; Isale, v.o.s. and ZOPI p.o.; hereinafter referred to as "our company". We implement and comply with the procedures and organization of work so that we can prevent as far as possible, or limit, potential conflicts of interest, or transparently and effectively manage situations in which conflicts of interest may arise so that it will not have negative consequences for our clients.

Identification of potential conflicts of interest

A conflict of interest may arise where either our company or any of its directors, employees, and outsourced service providers (hereinafter referred to as "relevant persons") would engage in activities which could be carried out in their own favor with negative repercussions on our clients, or which could harm our clients; for example, in such a situation where either our company or any of the relevant persons:

- Could make a financial gain, or avoid financial loss, at the expense of our clients;
- Has an interest in the outcome of services provided to our clients, or transactions made on behalf of our clients, which would be incompatible with the interests of our clients themselves;
- Has a financial or non-financial incentive to favor interests of a particular client or a group of our clients at the expense of another client or another group of our clients;
- Could receive or will receive an inducement from a third party (other than our company or relevant persons) for services provided to our clients in the form of money, goods or other services, other than the standard commission or fees for such service.

Actual or potential conflicts of interest within our operations

Balanced relations between all parties

The logic of peer-to-peer lending is to provide services to both parties; to investors and to borrowers. Investors are charged a regular fee based on collected amounts of their investment repayments, but only on condition that the investment is repaid; the exact fee is specified in our Schedule of Charges. Borrowers are charged a standard fee for a loan; the

exact amount depends on their rating class and details are specified in our Schedule of Charges. In terms of framework contracts, as stated above, each party has the rights and obligations which must be mutually balanced; we therefore must approach both sides of the relationship suchlike and we cannot prefer just one side of the relationship. So all our actions are performed in this manner and thus are also instructed all relevant persons involved in the functioning of the portal.

One specific area of a potential conflict of interest could be a non-compliance with a set of risk-rules when assessing applications and applicants for a loan with the aim of increasing the volume of loans processed and subsequently collecting borrowing fees for its provision. The set operating rules guarantee that, in case of non-performing loans (NPLs), our company does not charge investors any fees for the management of these investments. Furthermore, without claiming investor's payoff, our company exercises all the activities of active recovery and also pays all their direct and indirect costs associated with the process of recovery for investors. At the same time, we are fully aware of the fact that an increased NPL-ratio, beyond the natural and expected rate by rating group, could bring increased loan volumes in the short-term, but it would betray investors' trust in the Žltý melón portal. This could result in a significant reduction in future loan volumes. This is why strict observance of rules and procedures for verification of applicants, applications and assignment of rating classes is our fundamental principle and a vital precondition of our successful operation.

Gifts and incentives

Gifts and incentives could lead to potential conflicts of interest. In this area, our company and relevant persons have to follow strict rules, reject any form of inducement and report such incidents.

A potential conflict of interest could arise where an employee has a personal direct and indirect interest in a specific transaction, and/or in one of the persons involved in a transaction. That could happen in a case where an employee has a personal connection to one side of the parties involved in the transaction. In such cases, each employee must report their personal relationship to any of our clients, with whom they come or may come into contact within their workload. In this case, the transaction is either refused or, in justified cases when the transaction has been approved, we closely monitor the process in order to ensure that a personal connection does not affect its outcome.

Identifying and managing conflicts of interest

Our company and all relevant persons are obliged to identify any situation in which there is or may be a potential conflict of interest.

Our company shall use all reasonable efforts to prevent potential conflicts of interest or manage them transparently and effectively.

In case there was a significant risk of damage to interests of our clients, we would consider exposing the risk transparently to all parties.

We have implemented and overseen internal policies, job descriptions and trainings, so that all our employees can identify potential conflicts of interest and know how to behave in such cases and how to approach conflicts of interest.



We actively monitor where a conflict of interest could arise or where it exists and could have negative effects on the interests of our clients.

More details

We will review regularly and, if necessary, update the document Managing Conflicts of Interest as well as all internal guidelines and working practices in this area. Any questions concerning this area should be emailed to: zltymelon@zltymelon.sk.