



INFORMATION DOCUMENT -INVESTMENT AND ANCILLARY SERVICES INVOLVING FINANCIAL INSTRUMENTS AND INSURANCE-BASED INVESTMENT PRODUCTS

This Information Document (hereinafter the "**Document**"), intended for Clients and potential Clients (hereinafter the "**Clients**" or "**Clientele**") of Mediobanca – Banca di Credito Finanziario S.p.A. (hereinafter the "**Bank**" or "**Mediobanca**"), is drawn up pursuant to: i) Consob Regulation no. 20307 of 15 February 2018 (Intermediaries Regulation); ii) Delegated Regulation (EU) 565/2017 (implementing Directive 2014/65/EU, (known as "**MiFID II**") and the relative national implementation legislation; iii) Article 120 of Legislative Decree no. 209 of 7 September 2005 and subsequent amendments and additions (known as "**CAP**").

The Document includes the disclosure on transparency with respect to the adverse impacts on sustainability and incorporates the information on sustainability risks required under Articles 6 and 7 of Regulation (EU) No. 2019/2088.

This Document aims to provide information on the Bank and on the investment and ancillary services offered by it, as well as on the nature and risks of the products and financial instruments handled.

An up-to-date copy of the Document is available for consultation on the Bank's website (www.mediobanca.com) and on the Bank's premises open to the public.

This Document is divided into the following sections:

- A. INFORMATION ON THE BANK AND ON COMMUNICATIONS WITH THE CLIENT
- B. INFORMATION ON THE INVESTMENT SERVICES OFFERED
- C. INFORMATION ON THE PROTECTION OF CLIENTS' FINANCIAL INSTRUMENTS AND MONEY
- D. INFORMATION ON CLIENT CATEGORIZATION
- E. INFORMATION ON SUITABILITY/APPROPRIATENESS ASSESSMENT
- F. INFORMATION ON INSTRUMENTS, FINANCIAL AND INSURANCE PRODUCTS, THE PORTFOLIO MANAGEMENT SERVICE AND RELATED RISKS
- G. INFORMATION ON COSTS, CHARGES AND INCENTIVES CONNECTED WITH THE PROVISION OF SERVICES
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- L. COMPLAINTS



A. INFORMATION ON THE BANK AND ON COMMUNICATIONS WITH THE CLIENT

A.1 COMPANY INFORMATION

Mediobanca, with offices at Piazzetta E. Cuccia, 1, Milan - (Tel. 0288291 - Fax 028829550), VAT no. 10536040966. Tax code and Milan, Monza, Brianza, Lodi Companies Register entry no. 00714490158. Limited liability company, registered as a bank under registration no. 4753 of the Italian Banking Registry held by the Bank of Italy. Part of the Monte dei Paschi di Siena Banking Group, registered as a banking group under registration no. 1030 of the Italian Banking Group Registry held by the Bank of Italy. Direction and co-ordination: Banca Monte dei Paschi di Siena S.p.A. Member of the Interbank deposit guarantee fund and national guarantee fund.

A.2 COMMUNICATION BETWEEN BANK AND CLIENT

Clients may communicate with the Bank in Italian or English and the Bank communicates with its Clients in Italian or English, depending on the method selected by the Client. Conversely, the Bank communicates with its Private Banking Division clients exclusively in Italian. The methods of communication between the Bank and Clients, with regard to the provision of investment and ancillary services, are laid down in the relevant contracts to which reference is expressly made.

The Bank's notices issued to Clients are sent electronically to the address indicated by the Client at the time of opening individual accounts or subsequently with suitable notice. Clients accepting the Internet banking service consult notices by accessing the reserved area of the Bank's website. Clients classified by the Bank as retail clients may request that the Bank provides such notices on paper.

In accordance with the applicable legislation, Mediobanca may issue notices and information to Clients on its investment services provided via its website at the following address www.mediobanca.com.

With regard to the methods of sending the Bank orders involving investment services, as provided for by the individual contracts, Clients may use the following communication channels:

- ◆ Telephone orders, following the recognition procedure applied by the account manager (where applicable). Telephone calls in which the Client gives orders to the Bank are recorded on a magnetic medium, a fact of which the Client is duly informed;
- ◆ Orders issued via FIX link or Bloomberg chat;
- ◆ Orders issued by email to the agreed email address, provided this is stipulated by written agreement and they are sent from the email address notified by the Client at the time of opening the account or subsequent notice to be provided in accordance with the contract;



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- ◆ Paper orders on forms prepared and supplied by the Bank itself, issued on the Bank's premises or through a financial advisor authorized to operate outside the premises, entered in the relevant Register kept pursuant to the Consob provisions..

With regard to the provision of services concerning the execution of orders, receipt and transmission of orders and placement the Bank:

- ◆ On receiving an order, issues the Client of the Private Banking Division, if required by the legislation and as agreed by contract, with a certificate containing, besides identification details of the order itself, any warnings issued by the Bank, for example on conflicts of interest, unsuitability/inappropriateness of the transaction to which the order refers and information on the costs and charges and possible receipt of incentives by the Bank. In the case of telephone orders, the aforesaid information can be illustrated to the Client as part of the recorded telephone conversation;
- ◆ As soon as possible, and by the first business day following that of execution of the order at the latest, or that on which the Bank itself receives confirmation from the intermediary to whom it was sent, of execution of the order, the Bank provides the Client (both retail and professional, for investment services provided by the Bank through the Private Banking Division) with notice of confirmation containing the identification details of the transaction performed. If confirmation of execution has to be sent to the retail client by a third party, the Bank is exempted from sending its own confirmation. In the case of orders for a retail client concerning units or shares in UCIs executed periodically, the Bank may provide the retail client, if the Management Company or SICAV does not do so directly, with a half-yearly report containing the information stipulated by the legislation. In the case of orders relating to insurance products, the information is supplied directly by the insurance companies according to the periodicity defined in the contractual provisions regarding those products; while the annual disclosure of ex-post costs and charges is provided by the Bank, as required by the regulations, in relation to investment policies subscribed to by the Client. With reference to Clients of the Corporate & Investment Banking Division, the Bank sends confirmations of executed transactions to them, in accordance with Delegated Regulation (EU) No. 1229/2018 supplementing Regulation (EU) No. 909/2014 regarding regulatory technical standards on settlement regulation, as contractually provided;
- ◆ No later than the end of the business day in which the threshold has been exceeded or, if it is exceeded on a non-business day, no later than the end of the subsequent business day, sends notification to the retail Client that holds positions in financial instruments characterized by the leverage effect or transactions with potential liabilities, when the initial value of each instrument undergoes 10% depreciation and subsequent multiples of 10%;
- ◆ Sends the Client, at regular intervals, a report on the financial instruments held by the Bank containing information on the financial instruments themselves at the end of the period forming the subject of the report (e.g. securities statement of account);



- ◆ Sends the Client of the Private Banking Division, at least on a half-yearly basis, a statement containing a list of the financial instruments acquired that do not meet the qualitative and quantitative requirements set by the Bank to identify the financial instruments which the Bank may recommend as part of its investment advisory services (the “Investible Universe”), and a statement containing the regular assessment of adequacy with regard to the overall portfolio of products and services held by the Client with the Bank;¹
- ◆ In the cases provided for by the regulations and any other circumstances contemplated by the contract, the Bank sends the Client a statement of the costs of the financial instruments and any insurance-based investment products held by the Client for the reference on an annual basis and in personalized form, stating the aggregate costs charged to the Client for the reference period, and disclosing any incentive received from third parties. At the Client’s request such information is also provided analytically.

With regard to the service of investment advice concerning investments, in addition to the specifications above for receipt and transmission and placement services, the Bank:

- ◆ For any advice provided, issues a copy of the form identifying the financial instruments or products or insurance-based investment products on which advice is provided, the type of transaction and the outcome of the assessment of suitability made by the Bank (as well as possible warnings regarding the transaction or on, for example, conflicts of interest, costs and charges and incentives that may have been received by the Bank relating to the transaction);

With regard to the portfolio management service, the Bank:

- ◆ Sends the Client, at the contractually agreed frequency and in any event on at least a quarterly basis, a report on the financial instruments held by the Client following their subscription to the individual portfolio management service containing information on the financial instruments themselves at the end of the period forming the subject of the report (this report includes the statement of account for the Client’s financial instruments and liquid assets in the portfolio management services);
- ◆ If the Bank is authorized to manage a portfolio that has recourse to financial leverage, the report will be provided on a monthly basis. If the Client asks to be informed of the transactions performed at any time, the regular report will be provided on an annual basis, apart the exceptions provided for in the contract;
- ◆ Sends the Client an annual statement in personalized form of the costs and expenses incurred for provision of management and deposit services, stating the total costs charged to the Client for the reference period in aggregate form. Disclosure of the total costs charged to the Client for the reference period for provision of management and deposit services may also be provided in analytical form at the Client’s request.

¹ The overall portfolio comprises cash and liquid assets, all financial instruments and/or products, and any portfolio management and/or insurance-based investment products held by the Client with the Bank.



- ◆ Informs the Client when the total value of the portfolio detenuto in gestione undergoes 10% depreciation, and subsequent multiples of 10%, of the value of the portfolio recorded as at the date of the prior report. The report is sent to the Client no later than the end of the business day in which the threshold has been exceeded or, if it is exceeded on a non-business day, no later than the end of the subsequent business day.

The documentation sent to the Bank will be deemed to be approved 60 days after the date of receipt if no complaint is received in writing according to the method provided for in section L.

B. INFORMATION ON THE INVESTMENT SERVICES OFFERED

The Bank is authorized by the Bank of Italy to carry out the investment services referred to in Article 1, section 5, of Legislative Decree no. 58 of 24 February 1998 (Testo Unico dell'Intermediazione Finanziaria, hereinafter "**TUF**" [Consolidated Finance Act]), in addition to the relative ancillary services. Mediobanca has also been registered in section D of the Single Register of Insurance Intermediaries since 24 July 2017, under no. D000579754.

In particular, the Bank provides the following services:

- ◆ **Receipt and transmission of orders:** service through which the Bank receives orders involving financial instruments from Clients and transmits them for execution to an intermediary authorized for proprietary trading and to execute orders on behalf of clients;
- ◆ **Execution of orders on clients' behalf:** service by which the Bank concludes orders to purchase or sell one or more financial instruments on Clients' behalf at trading venues and/or OTC;
- ◆ **Proprietary trading of financial instruments:** purchase and sale of financial instruments as a direct counterparty with Clients. Proprietary trading includes trading in over-the-counter (OTC) derivative financial instruments;
- ◆ **Placement:** underwriting and/or placement services, based on an irrevocable commitment, and placement vis-à-vis an issuer without an irrevocable commitment. In particular the service involves offering the Client financial products, *inter alia* based on specific agreements which the Bank has entered into with the Offeror or the Issuer of the products themselves. The service of placement of financial instruments is also performed through its network of Branches and Financial Consultants authorized for off-site operations. The Bank also distributes insurance-based investment products based on agreements stipulated with insurance companies;
- ◆ **Non-independent investment advice:**² service provided by the Bank on a non-independent basis, through which the Bank provides personalised

2) Investment advice is classified as "non-independent" when, in providing such an investment service, the Bank, *inter alia*, accepts and retains fees, commission or other monetary or non-monetary benefits paid or supplied by third parties or by a person acting on behalf of third parties in relation to the provision of the service. With reference to the service of investment advice provided to certain



recommendations with regard to one or more transactions relative to financial instruments or insurance/financial products. The Bank provides the service of investment advice concerning investments functionally to the other investment services offered;

- ◆ **Portfolio management:** the service consists of management, on a discretionary and individualized basis, of investment portfolios, performed by the Bank based on the management mandate issued by the Client (the "Portfolio Management Mandate") and in accordance with the relative management line selected. With regard to the various portfolio management lines, the Bank has delegated to Mediobanca SGR S.p.A., with registered office in Milan, at Foro Buonaparte 10, part of the Monte dei Paschi di Siena Group, the activities involved in management of individual portfolios;

For further details on the rules and conditions governing the aforesaid investment services, see the relevant contractual forms available at the Bank on the Client's request.

B.1 LEI code

Since the provisions introduced by MiFID II have come into force, to meet its reporting requirements versus the competent supervisory authorities, the Bank is required to obtain an additional identification code for its clients (apart from those who are individuals) on behalf of which it executes orders, instructions and transactions. This is the Legal Entity Identifier (or LEI code), a single code used globally, issued by a Local Operating Unit (LOU) designated and authorized to do so by the Regulatory Oversight Committee. Therefore, for clients other than individuals, the Bank checks that they have a valid LEI code, and if they do not, the Bank is unable to proceed with any order, instruction or transaction they arrange. If the services concerned is portfolio management, it cannot be provided if the client does not have a LEI code.

C. INFORMATION ON THE PROTECTION OF CLIENTS' FINANCIAL INSTRUMENTS AND MONEY

C.1 MEASURES TO PROTECT CLIENTS' FINANCIAL INSTRUMENTS AND MONEY

The money held by the Bank follows the bank deposit rules and therefore the Bank does not acquire ownership thereof, without prejudice to the right of the depositing Client to request the return thereof.

In providing investment and ancillary services, the financial instruments held by the Bank on the Client's behalf are placed in deposits opened at the Bank and constitute separate assets, for all purposes, from those of the Bank and those of other Clients thereof. No actions are admitted on these assets by or in the interests of the

Clients of the Corporate & Investment Banking Division which precedes trading OTC derivative transactions, the advice is classified as "non-independent" as it involves exclusively OTC derivatives structured or designed by the Bank and not those designed by other intermediaries.



intermediary's creditors or by or in the interests of the creditors of any depositary or subdepositary thereof. Actions brought by the creditors of individual clients are admitted within the limits of the assets owned by the latter.

Financial instruments represented by paper certificates belonging to the Clients are generally kept by the Bank in suitable safes with access limited solely to personnel authorized to handle and manage such securities. The Bank is authorized to sub-deposit financial instruments, both paper and dematerialised, at centralised depositaries or other authorized entities pursuant to the legislation in force.

If the securities deposited present characteristics of fungibility or when otherwise possible – without prejudice to the Client's responsibility for the formal regularity thereof – the Bank is also authorized to group them together or to allow them to be grouped together by the aforesaid organizations and the Client agrees to receive in return as many securities of the same type and quality.

Moreover, within the scope of the provision of the portfolio management service, the Bank holds the Client's liquidity itself in suitable management accounts and deposits the financial instruments relating to each portfolio in the *omnibus account* opened at the depositary, i.e. an account in which financial instruments relating to a plurality of Clients are placed. It should be noted that the Bank remains responsible vis-à-vis the Client for the Client's money and the financial instruments deposited and sub-deposited as provided for by the relevant contracts applicable. To this end, the Bank:

- ◆ Periodically monitors the activities of the sub-depositaries, checking the efficiency and the reliability of the service provided by them;
- ◆ Has adopted suitable procedures to reconstruct each client's position in financial instruments and liquidity at any time;
- ◆ Regularly reconciles the Client's position with the evidence produced by the depositaries and, possibly, by sub-depositaries.

C.2 INFORMATION ON GUARANTEES AND CLEARING RIGHTS

GUARANTEE RIGHTS

The Bank has a right of pledge and a right of retention on the securities held by the Client howsoever held by the Bank itself or subsequently received by it, to guarantee any claim, even if not liquid and payable and even if backed by another real or personal guarantee, already existing or held in respect of the Client, represented by the current account debit balance and/or dependent on any bank transaction, such as: loans howsoever granted, opening of credit, opening of documentary credits, advances on securities or goods, advances on loans, discounting or trading in securities or documents, issue of guarantees to third parties, bond deposits, amounts carried over, sale of securities and foreign exchange, intermediation or service transactions. The pledge and retention rights are exercised on the aforesaid securities or parts thereof for sums suitably matched to the claims held by the Bank and in any event not more than twice the sums receivable.



In particular, the assignment of claims and pledges howsoever granted or established in favour of the Bank also guarantees any other claim held by the Bank itself, at any time, even if not liquid and payable, in respect of the same person.

LEGAL AND VOLUNTARY CLEARING

When several relationships or accounts of any kind or nature exist between the Bank and the Client, including deposit accounts and/or relating to the Asset Management Mandate, even if held at Italian and foreign branches of the Bank itself, legal clearing takes place in any event for all purposes. Upon the occurrence of one of the cases provided for by Article 1186 of the Italian Civil Code, or upon the occurrence of events negatively affecting the Client's asset, financial or economic position, so as to jeopardize the recovery of the claim held by the Bank, the latter is also entitled to apply clearing even if the claims, albeit in different currencies, are not liquid and payable, at any time, without any obligation of notice and/or formalities, without prejudice to clearing, which may not be opposed by the Bank's authorization to write cheques. The Bank will promptly inform the Client in writing. If the account is held by more than one person, the Bank is authorized to assert the guarantee rights described above, up to the amount of the entire claim resulting, even in respect of accounts and relationships held only by some of the joint holders.

C.3 INVESTOR INDEMNITY OR DEPOSIT GUARANTEE SYSTEM

The Bank is a member of the national guarantee fund, or “Fondo Nazionale di Garanzia”, set up to protect sums receivable by clients from società di intermediazione mobiliare [investment intermediaries] and other parties authorized to trade in securities. The Fund intervenes in order to indemnify investors (save in cases where ground for exclusion apply as provided by the Fund's Operating Regulations) for unsecured loans or receivables deriving from the failure to repay all amounts due in cash or financial instruments or the equivalent value thereof, that have been definitively recognized by the bodies responsible for the composition procedure. The indemnity is calculated based on the amount certified on that occasion, net of any partial reallocations made by the composition bodies. The indemnity paid by the Fund is equal, for each investor, to the overall amount of the payables recognized as liabilities, minus the amount of any partial reallocations made by the composition bodies, up to a maximum amount of €20,000. Reference is made to the Fund's website at www.fondonazionalegaranzia.it for further information.

The Bank is also a member of the interbank deposit guarantee scheme, or “Fondo Interbancario di Tutela dei Depositi” (“FITD”), a scheme set up to guarantee deposits made and recognized in Italy, based on the provisions of Italian Legislative Decree No. 659 of 4 December 1996. This principle was confirmed by Italian Legislative Decree No. 30 of 15 February 2016, which transposed Directive 2014/49/EU of the European Parliament and of the Council into the Italian regulatory framework. The FITD is a consortium of banks governed by private law, the activities of which are governed by its own Statute and Rules of functioning, and by regulations on certain specific issues. The purpose of the FITD is to guarantee the depositors of the banks that make up the consortium. The banks undertake to provide the funds necessary in order for the FITD to



pursue its objectives. The maximum limit in terms of coverage for each depositor is equal to €100,000.00. See <http://www.fitd.it> for further information.

D. INFORMATION ON CLIENT CATEGORIZATION

Italian legislation, in line with the Community provisions, provides for the categorization of Clients into the following three categories, each of which is granted a different level of protection which is reflected, in particular, in the obligations that each intermediary is required to observe:

◆ Retail Clients

These are all those Clients not categorized as eligible counterparties or professional clients. Retail Clients are granted the maximum protection with regard, in particular, to the scope of the information that the Bank has to provide, the performance of checks on the "suitability" and "appropriateness" of the services requested/provided and the transactions performed, and the execution of orders on financial instruments under the most favourable conditions (known as *Best execution*).

◆ Professional Clients

These are persons with experience, competence and knowledge such as to be considered able to make informed decisions on investments and to correctly assess the risks they are assuming. Consequently, for these Clients the legislation provides a lower level of protection both with regard to the assessments of suitability and appropriateness and with regard to the obligations to provide information on the provision of certain services.

The legislation has identified those categories of persons who, by nature, are deemed to be professional clients (known as **per se professional clients**), distinguishing between public professional Clients and private professional Clients. The former include, for example, the Government of the Italian Republic and the Bank of Italy and the latter parties such as banks, investment companies, insurance enterprises, asset management companies, pension funds, institutional investors, stockbrokers, large enterprises³ and institutional investors whose principal activities involve investing in financial instruments, including entities dedicated to the securitization of assets or other financial transactions. Then there are parties which, while not belonging to the aforesaid categories, meet certain requirements such that they may need to be regarded as professionals (known as **elective professional clients**).

◆ Eligible counterparties

³)These are enterprises meeting at least two of the following requirements of size at individual company level: a) balance-sheet total: €20,000,000; b) net turnover: €40,000,000; c) equity: €2,000,000.



These comprise a subset of the category of professional clients, which may only be established with regard to the provision of services involving the execution of orders, proprietary trading and receipt and transmission of orders and services ancillary thereto. The rules of behaviour provided for other categories of investors do not apply to these Clients.

◆ **Change in categorization**

The Bank informs Clients of the categorization attributed to them at the time of opening their accounts, simultaneously informing them of the possible right to request a different categorization and of the possible limits deriving therefrom in terms of protection granted.

The categorization originally assigned to the Client may be changed, either on the Bank's initiative or on the request of the Client, who may ask the Bank to be placed in a category offering greater protection (e.g. from professional Client to retail Client) or in a category offering less protection (e.g. from retail Client to professional Client). In such event, the Bank makes an appropriate assessment of the Client's competence, experience and knowledge and is entitled to accept the request or not, informing on the outcome of the assessment made and providing a specific indication of the protections and rights to indemnity that could be lost. It is up to the professional Client to inform the Bank of any changes that might affect their categorization.

Clients of the Bank's Private Banking Division are all categorized automatically in the category "retail clients", with the sole exclusion of those clients for whom the MIFID legislation provides for categorization in the category of "eligible counterparties". Initial classification as "retail client" does not exclude the Client's right to ask to move to a less protected category (per se professional client or elective professional client).

The Bank makes an appropriate assessment of the Client's competence, experience and knowledge and is entitled to accept the request or not, informing the Client of the outcome of the assessment made.

Without prejudice to the above, the Private Banking Division, in providing all the investment services offered, also carries out, in favour the professional Clients and in their best interests, an assessment of suitability with regard to the profile assigned to the Client in light of the information provided in the document "Modulo per la raccolta di informazione per la profilazione della Clientela" [Form for the collection of information for Client profiling] (the "Form", or the "Questionnaire"), drawn up pursuant to the Delegated Regulation (EU) 2017/565.

E. INFORMATION ON SUITABILITY/APPROPRIATENESS ASSESSMENT

The **Private Banking Division** carries out an assessment of appropriateness for all types of services offered, regardless of clientele classification. This assessment takes account of the information received in advance from the Client (professional or retail) regarding transactions executed against the overall portfolio of assets (the "Portfolio") held at the Bank by the Client.

The Portfolio consists of cash and liquid assets, and all financial instruments and/or products, insurance-based investment products, and portfolio management



contracts, including financial instruments or products involved in orders already issued but not yet executed or settled, held in the current and securities accounts opened by the Client with the Bank in the same name.

The advisory service provided by the Bank under the terms of the Financial & Portfolio Advisory contract, and in some cases (e.g. in placement services), also under the terms of the "Contract for the provision of banking and investment services", consists of a series of possible activities, including the following:

- ◆ Providing the Client with personalized recommendations for financial instruments/products included in the Investible Universe defined by the Bank and/or which meet certain qualitative and quantitative criteria which vary depending on the type of instrument and/or product involved;
- ◆ Compiling and proposing bespoke portfolios to meet specific requests made by the Client;
- ◆ Making an assessment of the appropriateness of the recommendations made relative to the Client's overall portfolio as it is following the implementation of the transactions contained in the recommendations made;
- ◆ Assessing, at least once every six months, the appropriateness of the Client's portfolio, as it is on the date on which the assessment is made, together with a list of the investments made by the Client in financial instruments and/or products not included in the Investible Universe defined by the Bank;
- ◆ Possibility for the Client to make use of assistance from a Financial Advisor authorized to provide their services away from the Bank's premises.

Such advice is provided in writing at the Bank's headquarters or branches or via Financial Advisors authorized to do so, away from the Bank's premises, or remotely.

The recommendations may also be made via other means of communication, *inter alia* remotely, by the channels used from time to time by the Bank in relation to the services provided. In such cases the Bank's obligations in terms of providing statements and disclosure are met using methods which allow the Client in technical terms to obtain the documentation concerned by electronic means.

The objective of personalized recommendations is to enable the Client to complete one or more transaction(s) in the following categories:

- ◆ Buy, sell, subscribe to, exchange, redeem or hold a given financial instrument, or make guarantees to the issuer in respect of such instrument;
- ◆ Exercise or not exercise any right entailed by a given financial instrument to buy, sell, subscribe to, exchange, redeem or hold a given financial instrument;
- ◆ Retain a given financial product/instrument (where such instrument is included in the Investible Universe and is appropriate for the starting portfolio) or the entire portfolio (where the starting portfolio is appropriate and does not contain products and/or instruments that are not included in the Investible Universe);
- ◆ Avoid executing a specific transaction in a given product/instrument.

The Client is specifically informed that any analysis and/or suggestion made by Mediobanca may lose relevance as a result of market developments or market volatility, and that its validity is therefore only temporary. The recommendations made by the Bank are valid for 5 working days, after which period of time has elapsed, the investment decisions expressed in the recommendations can no longer be accepted. The Bank may provide also different personalized recommendations in combined format, regardless of the respective validity period.



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In this period the Client is free to accept or reject the personalized recommendations, and to initiate the transactions contained in the recommendations that constitute the subject of the advisory activity. If different recommendations are valid at the same time, the instructions to buy or sell instruments issued by the client will be executed in accordance with the order in which they accepted.

Once the validity period of each personalized recommendation has ended, the recommendation concerned will cease to be valid and the Client will no longer be able to accept it or reject it.

Acceptance of the recommendation is exhaustive and refers to all items of advice contained in it; the Client may not accept the recommendation partially or accept only some of the advice contained in the recommendation itself. If the Client intends to execute only some of the transactions contemplated in the personalized recommendation, they must reject it, and the Bank will make a new personalized recommendation which takes the Client's specific needs into account, provided they are appropriate. If the recommendation is not accepted and/or explicitly rejected, it will cease to be valid once 5 working days have elapsed from the day on which it was issued.

Acceptance of the recommendation by the Client implies acceptance at the same time on their part of the orders deriving from the recommendation, along with the instructions for transmitting and executing these orders. When the recommendation is accepted, the Bank sends the orders executing the recommendations issued and accepted automatically in a timely manner to the market and/or the specific counterparties by the deadlines and means provided for each type of product, in accordance with the provisions of the Contract for the Provision of Banking and Investment services.

Every investment or divestment decision is therefore exclusively the prerogative of the Client, who alone shall decide whether or not to implement it, in the knowledge that by accepting the recommendation, the orders contained in it will automatically be executed. **The Bank will never independently execute any transaction in relation to advisory activity.**

Where requested by applicable regulations or under the contract, the Bank provides the Client with full disclosure of the costs and expenses in relation to the financial instrument, including any payments from third parties received from the Bank, and the overall effect of the costs on the value of the transaction, in a timely manner, to enable the Client to take informed investment decisions. This documentation also includes an indication of the main risks associated with the investment itself. If the recommendation involves a Packaged Retail Investment and Insurance Product (PRIIP), the Bank delivers the Key Information Document (KID) containing full and detailed disclosure regarding the costs of the product to the client in good time.

Client profiling

To enable the Bank to carry out the client profiling necessary in order to perform the appropriateness assessment, the Client provides the Bank with the required information by answering the questions shown in the "Form". In the Form, the Bank asks for all the information it requires to be able to recommend appropriate investment



services and financial instruments to the Client, in particular services and instruments that are appropriate in view of:

- (i) The Client's knowledge and experience of investments in the specific type of instrument or service;
- (ii) The Client's financial situation, including their capacity for incurring losses;
- (iii) The Client's investment objectives, including their risk tolerance;
- (iv) The Client's sustainability preferences, without prejudice to the possibility for the Client to "adapt" their sustainability preferences in given cases, as permitted by the regulations in force.

If any or indeed all of the above information is missing, the Bank shall refrain from providing any investment service whatsoever to the Client.

The Bank relies legitimately on the information and news disclosed by the Client. It is the Client's duty to inform the Bank promptly of any material changes that may take place in the intervening period. The Bank regularly checks with the Client that the information provided is still current and may ask the Client to confirm or amend it, updating the information in its possession and therefore also its profiling relative to different aspects for assessment (such as risk, time horizon, capacity to incur losses, etc.).

The Form for collecting information for client profiling is valid for 24 months.

If the Client is a **legal person**, the information provided in the Questionnaire must refer to each party (representative at law, or another party vested with the requisite powers) legitimately authorized to operate on the Client's account, in particular as follows:

- ◆ Each representative at law or other duly authorized party must complete, based on their own knowledge and experience, Sections "1. Knowledge" and "2. Experience" of the Questionnaire;
- ◆ The representative(s) at law and other authorized party (or parties) must jointly complete, based on the investment objectives, risk appetite, desired time horizon and sustainability preferences of the legal person which they represent, Sections "3. Financial Situation" and "4. Investment objectives" of the Questionnaire.

The assessment of appropriateness is performed by the Bank based on the following:

- i.The financial situation, investment objectives, sustainability preferences, risk appetite and time horizon of the legal person;
- ii.The knowledge and experience of the parties authorized to operate on behalf of the Client (representative(s) at law or other party (or parties) vested with the requisite powers) to whom the recommendation is issued or who issue the trading order.

For **joint accounts**, the information requested through the Questionnaire must be provided and collected by each of the joint account holders, in particular as follows:

- ◆ Each joint account holder must complete, based on their own knowledge and experience, Sections "1. Knowledge" and "2. Experience" of the Questionnaire;
- ◆ All joint account holders must jointly complete, based on their investment objectives, risk appetite, desired time horizon and sustainability preferences in relation to the joint account(s), Sections "3. Financial Situation" and "4. Investment objectives" of the Questionnaire.



The appropriateness is assessed on the basis of:

- i. The financial situation, investment objectives, sustainability preferences, risk appetite and time horizon with reference to the jointly held account;
- ii. The knowledge and experience of the party authorized to operate on behalf of the account holders to which the recommendation is addressed or which issues the trading order (the "Ordering Party").

For cases which involve **natural persons legally represented by another natural person** (e.g. because they are incapacitated, prohibited, unauthorized, etc.), the information requested in the Questionnaire must be provided and collected by the party or parties authorized to operate on their behalf (e.g. power of attorney, guardian, court-appointed guardian or another person duly vested with the requisite powers), based on their own knowledge and experience, and the characteristics, objectives and sustainability preferences of the person they represent and the latter's purpose in holding the account concerned. The appropriateness is assessed by the Bank based on the information relative to the knowledge and experience of the party or parties authorized to operate to which the recommendation is addressed or which issues the trading order (e.g. power of attorney, guardian or another party duly vested with the requisite powers) and relative to the financial situation, investment objectives, sustainability preferences, risk appetite and time horizon of the party they represent (e.g. incapacitated, prohibited, unauthorized, etc.).

For cases which involve a party or parties authorized to operate on an account attributable to one or more different Clients (primary account holder(s)), at least the information contemplated by Sections "1. Knowledge" and "2. Experience" of the Questionnaire must be provided and collected for each party so authorized to operate. The appropriateness is assessed by the Bank based on:

- i. The financial situation, investment objectives, sustainability preferences, risk appetite and time horizon of the Client(s) issuing the power(s) (primary account holder(s));
- ii. The knowledge and experience of the party or parties authorized to operate, to which the recommendation is addressed or which issues the trading order.

Assessment of appropriateness

In the provision of all investment services, the appropriateness of the service is assessed taking into account the set of financial instruments and services and the insurance-based investment products held by the Client with the Bank as a whole under the same name, therefore including (where applicable):

- (i) Securities deposit accounts for assets under administration;
- (ii) Securities deposit accounts for F&PA mandates;
- (iii) Portfolio management mandates;
- (iv) Insurance-based investment products.

Conversely, any assets or wealth apart from those specifically indicated above or held by the Client at fiduciary and/or trust companies, even if they are part of the Monte dei Paschi di Siena Group, are not taken into consideration for the assessment of appropriateness.



The Bank only issues recommendations and/or accepts orders to purchase/subscribe for instruments that are assessed as appropriate as a result of the assessments referred to above, and issues the Client with a statement of appropriateness in electronic format. Such statement contains a description of the advice provided/order received and an indication of the reasons why the recommendation/order corresponds to the Client's preferences, objectives and other characteristics.

The Bank completes the assessment of appropriateness in the following cases:

- (i) At the point of providing the advice/receiving the order;
- (ii) Subsequently, when the recommendation is accepted by the Client, before proceeding to transmit/execute the orders deriving from the recommendation.

The assessment of appropriateness carried out by the Bank is binding in nature. If the results of the assessment performed in one or other of the above cases is not positive, the recommendation cannot be provided or the orders received and/or deriving from the recommendation transmitted/executed. In cases where products/instruments are transferred by the Client, these may not be appropriate to the Client based on the profiles which the Bank assigns to them; in this case the Bank accepts the Client's transfer instructions, but reserves the right to issue sales recommendations subsequently for any products/instruments that prove to be inappropriate relative to the MiFID profiles assigned to the Client, without prejudice to the fact that accepting the transfer shall not entail any judgement by the Bank on the investment made by the Client through the previous intermediary.

Consideration is given to sustainability preferences in the provision of advisory services by checking if the products that the client has in their portfolio, including the one being recommended, meet the sustainability preferences that the client has expressed in the MiFID questionnaire. If the recommendation does not meet the client's sustainability preferences, they will still be able to proceed with the transaction if they accept that it is not consistent with the sustainability preferences expressed by them. A similar procedure is followed in cases where the client submits orders for products not aligned with the sustainability preferences expressed by them; here too they may proceed with the transaction, provided the relevant information is received. The foregoing is without prejudice to the client's right to change their own sustainability preferences at any time by updating the information provided in the client profiling questionnaire completed by them.

Further checks

As well as the assessment of appropriateness, the Bank also carries out the further controls as required by the regulations in force. In particular, before issuing the recommendation/executing the order, checks are carried out regarding: (i) the Target Market for the products/services included in the recommendation/order at the client's initiative, (ii) only in cases where advisory services are provided, checks are performed on the equivalent products identified, including an indication of which is the cheapest, and (iii) for recommendations which involve the recommendation of a total or partial sale and subsequent related recommendation to purchase/subscribe (known as a "switch"), the costs and benefits of the trades deriving from the recommendation. The checks referred to in points (i) and (iii) could result in the transaction being blocked and make it impossible to proceed. The check under (iii) does not apply to customers classified as professionals, unless expressly requested by the customer.



Regular appropriateness monitoring

In the provision of all investment services, the Private Banking Division sends communications at regular intervals, containing among other things an updated statement of appropriateness, explaining to the Client the reasons why their overall portfolio corresponds to the objectives and profiles assigned to them by the Bank, including their sustainability preferences, plus a statement of the financial instruments/products acquired by the Client which, as at the date on which the statement is produced, are not included in the Investible Universe defined by the Bank. When the Client is a legal person, the assessment of appropriateness contained in the above communication will be made on the basis of:

- (i) The financial situation and investment objectives of the legal person concerned;
- (ii) The highest profile in terms of knowledge and experience of those assigned by the Bank to the various parties authorized to operate on the Client's behalf (representative-at-law of the legal person or other parties duly vested with the requisite powers).

For jointly held accounts, the assessment of appropriateness contained in the above communication will be made on the basis of:

- (i) The financial situation and investment objectives for the jointly held account;
- (ii) The highest profile in terms of knowledge and experience of those assigned by the Bank to the various parties authorized to operate on the Client's behalf (joint account holders).

When the Client is a natural person who is legally represented by another natural person (e.g. incapacitated, prohibited, unauthorized, etc.), the assessment of appropriateness contained in the above communication will be made based on the information provided and collected by the party authorized to operate on the Client's behalf (power of attorney, guardian, court-appointed guardian or another person duly vested with the requisite powers) based on their own knowledge and experience, and the objectives of the person they represent and the latter's purpose in holding the account concerned (opened with the Bank).

For the services offered by the **Corporate & Investment Banking Division**, the Bank provides execution services, subject only to performance of the appropriateness assessment beforehand, i.e. to check that the service and instrument requested are compatible with the Client's level of knowledge and experience (the Bank reserves the right in any case to assume that Clients classified as professional clients possess the knowledge and experience necessary in order to understand the characteristics and risks of the services requested by them).

The Bank does, however, carry out an appropriateness assessment for investment advice bundled with the OTC derivative trading service provided by the Corporate &



Investment Banking Division, for elective professional clients or per se professional clients, classified as large firms up to certain size requirements.

The Bank does not trade derivatives OTC with retail clients.

In providing the investment advice bundled with the OTC derivative trading service, the Bank uses the information provided by the Client in the Questionnaire, to assess any blocks or restrictions on the Client's operations in trading in OTC derivatives.

F. INFORMATION ON INSTRUMENTS, FINANCIAL AND INSURANCE PRODUCTS, THE PORTFOLIO MANAGEMENT SERVICE AND RELATED RISKS

F.1 TYPES OF INSTRUMENTS AND FINANCIAL PRODUCTS HANDLED

Depending on the investment service provided, the Bank makes the following types of products and financial instruments available to its Clients, with the description in terms of nature and risks provided in the subsequent paragraphs (the list below is subject to changes also on account of the commercial choices which the Bank reserves the right to make):

- Shares and other equity securities;
- Debt securities;
- Units or shares in UCIs (investment funds and SICAVs);
- Derivative financial instruments;
- Financial products issued by insurance companies;
- Complex financial instruments/products;
- Portfolio management services.

SHARES AND OTHER EQUITY SECURITIES

By acquiring equity securities (the most common securities in this category are shares), clients become shareholders in the issuing company, participating in its economic risk. The possible return connected with holding an equity security is based on the economic trend of the company issuing it and is subject to the resolution of the shareholders' meeting to distribute all or part of the profits. In the event of bankruptcy of the issuing company, shareholders will be repaid residually, i.e. after all the credit rights of other holders of interests. Shares differ based on: a) rights they attribute: administrative (such as the right to vote, the right to challenge resolutions of the shareholders' meeting, the right of withdrawal and the option right) and financial/equity-related (dividend right, repayment right); b) legal system of circulation: registered or bearer (the legislation provides for the compulsory registration of all share certificates except for savings shares which may be issued to the bearer).

The risks associated with this type of instrument are the risks of a variation in price and issuer risk.

Other equity instruments include hybrid instruments characterized by their ability to combine some of the characteristics of the bond issues (predetermined coupon payments higher than those of the 'senior' bonds) with those of share issues with no administrative rights (right to vote). In the event of the Issuer's insolvency, the "other equity instruments" are only refunded to shareholders in advance.

**DEBT SECURITIES**

By acquiring debt securities (the most common of which include bonds), clients become financial backers of the issuing company and are entitled to periodically receive the interest provided for by the regulation on issue and, at maturity, repayment of the loan capital. Interest may be paid periodically, during the lifetime of the security, or at maturity (**zero coupon**), in a fixed (**fixed-rate bonds**) or variable amount, depending on the trend of market rates (**variable-rate bonds**). When purchasing a bond, it is therefore essential to consider the level of reliability and solvency of the issuer. Depending on the issuer, bonds may be divided into:

- a) **Government bonds**, i.e. financial instruments issued by national governments, whether in euros or in other currencies, which generally provide for the repayment of the nominal value at maturity and a coupon or zero coupon return. The risk of insolvency of these issuers coincides with the sovereign risk since they are public debt securities;
- b) **Supranational bonds**, i.e. financial instruments issued by supranational entities that cannot be identified with a single country (such as the World Bank or European Investment Bank). The risk of insolvency of these issuers is generally low;
- c) **Corporate bonds**, i.e. financial instruments issued by companies incorporated under private law (whether banks or industrial companies), distinguishing between:
 - ◆ **Plain vanilla bonds**: these are bonds that grant the right to receive interest, based on pre-established terms, and at maturity repayment of an amount equal to the nominal value. They do not present any derivative component;
 - ◆ **Structured bonds**: these are bonds that differ from plain vanilla bonds in that their repayment and/or return are indexed to the price trend of other assets such as shares, government bonds, interest rates, currencies, commodities, units or shares in UCIs, indices or baskets or derivative contracts relating to the aforesaid assets. In particular, they are characterized by the incorporation of derivative instruments into a fixed- or variable-rate debt security. They therefore have a derivative component and are more complex instruments characterized by a higher risk connected with the uncertainty of the return that requires a suitable assessment by the investor;
 - ◆ **Convertible bonds**: these are bonds that may be converted, at the investor's choice and in predetermined periods, into shares (known as converted shares) in the company issuing the bonds themselves or in a third party company. Following conversion, the investor will hold an equity security;
 - ◆ **Subordinated bonds**: i.e. financial instruments generally issued by credit institutions and investment companies subject to prudential monitoring by the competent authority for which the right of repayment, in the event of the issuer's insolvency, is subordinate to the repayment of the other unsubordinated bonds of the same issuer (see also the information provided in section E.1.1 with regard to the so-called bail-in in this respect).



The risks associated with this type of instrument are the risk of changes in the interest rates, market risk and issuer risk. For large issuers and for states, the level of reliability is mainly represented by the rating, i.e. by an opinion expressed by specialist, independent agencies. In the case of structured bonds, besides the risks mentioned above, liquidity risk (as it might not be possible to trade these instruments in trading venues) and the risks connected with the derivative component contained should be carefully assessed. In the case of convertible bonds, besides the risks mentioned above, the price risk relating to the converted share should also be taken into consideration. In the case of subordinated bonds, besides the risks mentioned above, the risk associated with the type of subordination should also be assessed.

UNITS AND SHARES IN UCIs (INVESTMENT FUNDS AND SICAVs)

The main risks deriving from an investment in units/shares in UCIs are associated with the type of financial instrument in which the fund invests and the investment policy adopted, aspects that are specifically indicated in the Regulations and, if provided, in the Prospectuses or in the KIID, a copy of which is delivered to Clients before subscription.

Participation in a UCI involves risks associated with the possible variations in value of the units, which in turn are affected by fluctuations in the value of the financial instruments in which the UCI's resources are invested. For a correct determination of the risks, one therefore has to be aware of the specific characteristics of each fund and understand its investment policy in particular.

INVESTMENT FUNDS AND SICAVs

The mutual investment fund is an independent asset, belonging to a plurality of members, subdivided into units and managed by an asset management company. The assets managed are independent and separate from those of the individual members and from those of the asset management company. This separation of assets, whose primary aim is to provide a guarantee, allows the fund's assets not to be affected by creditors of the managing company who, in the event of individual actions to protect the claim or in the event of bankruptcy of the company, may only satisfy their credit rights on the company's assets and not on the assets of the subscribers' fund as well.

Investments are made in a mutual investment fund by subscribing for stock units worth the same amount, in the form of named or bearer certificates representing the same rights. Each investor acquires the right over a share of the fund's capital, pro rata to their cash contribution. Thus the investor also assumes the risk deriving from the investments made by the fund manager.

The various types of mutual investment funds present on the market include **real estate investment funds**, which only or mainly invest in real estate and in interests in real estate companies, and as such are typically closed-end funds, and **securities investment funds**, which invest in instruments on the securities market (equity securities, debt securities, derivatives, etc.). Securities investment funds may be open-ended or closed-ended:



- ◆ **Open-ended funds**, in which the subscriber is entitled to request repayment or to supplement the investment at any time;
- ◆ **Closed-ended funds**, which the subscriber may only join on the date of formation of the fund itself or on pre-established dates; similarly, the repayment of the investment, and further cash contributions, may only be made on pre-established dates.

Investment funds are also divided into:

- ◆ **Harmonized UCITS (Undertakings for the collective investment in transferable securities)**: mutual investment funds falling within the scope of application of Directive 2009/65/EC;
- ◆ **AIFs (Alternative Investment Funds)**: these are distinguished from harmonized mutual investment funds because they have the possibility of investing in different and even more risky assets than those stipulated for the open-ended funds, notwithstanding the prohibitions and prudential rules on the containment and spreading of risk established by the Bank of Italy. More specifically, an AIF could:
 - ◆ Be invested in financial instruments characterized by a higher degree of complexity and risk, such as units in hedge funds. Real-estate funds may be classified as AIFs, owing to the nature of the investments characterizing them;
 - ◆ Present a higher level of concentration of investments (both with regard to the issuing entities and with regard to specific commodity/geographical sectors);
 - ◆ Operate in speculative or hedge derivatives;
 - ◆ Resort more significantly to the use of financial leverage;
 - ◆ Be reserved and in this case participation is reserved for the type of investors specified in the Fund Management Regulations, or non-reserved;
 - ◆ May, if they are closed-end funds, be subscribed to only at the date of incorporation or at pre-established dates;
 - ◆ Must be held by the client until the natural end of the Fund.

For these reasons, FIAs should be deemed to have a higher risk/return profile not suitable for all types of Clients.

SICAVs are established in corporate form; therefore, the subscriber acquires the status of shareholder with the possibility of influencing the asset management policy and the company business, by exercising the right to vote.

Investment in mutual funds and SICAVs allows:

- ◆ Asset management to be assigned to persons performing this task professionally;
- ◆ A diversification of investments that is difficult for individual investors to obtain.



PRIVATE MARKETS FUNDS

Private markets is a generic term representing a particular category of AIF. It is a financial term which refers to "private" as opposed to "public" markets. Investors, typically institutional investors, who wish to invest in this asset class have a broad range of solutions, strategies and means of investment available to them. Unlike stocks listed on regulated market, these alternative instruments cannot be sold at any time; hence they are suitable to investors with a medium- /long-term investment horizon. Some of the most common strategies included private equity, private debt and venture capital. This definition also covers "real assets" such as infrastructure, real estate and credit. These types of funds potentially offer higher returns than other asset classes given the presence of particular risk sources. As such, provision may be made for recall and distressed follow-on mechanisms, which, if triggered, require the investor to pay additional amounts (over and above the capital initially invested) during the life of the fund. These funds may also provide for capital call mechanisms whereby the payment of an initial commitment can be spread across several years, with penalties for investors who choose not to make the payments at the set dates.

EXCHANGE TRADED FUNDS (ETF)

Exchange Traded Funds (ETF) are a particular category of funds or SICAVs characterized by having the same composition as a specific stock exchange index; the certificates representing the units are typically admitted to trading on a trading venue. In fact, ETFs passively replicate the composition of a market index (geographical, sectoral, share or bond) and consequently also its return. ETFs are divided into physical ETFs, that replicate the benchmark by purchasing the securities forming the basket of the benchmark index with the same weight, and synthetic ETFs which, while committed to replicating the index taken as a benchmark, pursue that result using a swap, or a derivative contract issued by a counterparty.

ETFs are instruments with no guarantee on the capital invested or any predetermined return and as such involve the specific financial risk of the reference market (specific risk and generic risk of the securities forming the basket of underlying securities). In the case of synthetic ETFs, one also has to assess the counterparty risk connected with the particular methods of replicating the benchmark.

DERIVATIVE FINANCIAL INSTRUMENTS

The term "derivatives" indicates the main characteristic of these products: their value derives from the trend of the value of an asset or from the future occurrence of an objectively observable event (the underlying asset). The ratio, which may be determined by mathematical functions, that links the value of the derivative to the underlying asset, constitutes the financial result of the derivative, known as the pay-off.

Derivatives are divided into: a) derivatives traded in trading venues; b) derivatives not traded in trading venues, i.e. Over the Counter (OTC).

The risks associated with derivative financial instruments are mainly those relating to the underlying instruments or, potentially, the entire range of financial risks (see also the



information provided in section F.2). For a correct determination of the associated risks, one needs to be aware of the specific characteristics of each derivative instrument.

The main purposes pursued by trading in derivatives financial instruments are:

- i) Hedging, to protect the value of a position from undesired fluctuations of market prices, by balancing the losses/profits of the position to be hedged with the profits/losses on the derivatives markets;
- ii) Speculation: strategies aimed at making profit based on the expected evolution of the underlying price;
- iii) Arbitrage: when a temporary misalignment is exploited between the performance of a derivative's price and that of the underlying instruments (which are meant to coincide when the contract expires) by selling the overvalued instrument and buying the undervalued one.

FORWARD CONTRACTS

A forward contract is an agreement between two parties for the delivery of a given quantity of a certain underlying asset at a price (delivery price) and on a date (maturity date) fixed in advance.

The underlying assets may be of various types: a) financial assets, such as shares, bonds, currencies, derivative financial instruments, etc.; b) commodities, such as oil, gold, wheat, etc. The buyer of a forward contract (i.e. the party undertaking to pay the delivery price at maturity to receive the underlying assets) opens a long position, while the seller (i.e. the party undertaking to deliver the underlying asset at maturity to receive the delivery price) opens a short position. The variations in value of the underlying asset determine the risk/return profile of a forward contract, which may be summarized as follows:

- ◆ For the buyer of the contract, i.e. the party that has to buy a certain commodity at a certain date and at a price already fixed in the contract, the risk is represented by the depreciation in the commodity. In this case, in fact, it would be forced to pay the price already fixed in the contract for a commodity whose market value is lower than the price to be paid: if the buyer were not bound by that contract, it could be more advantageous to buy the commodity on the market at a lower price. For the opposite reason, if the underlying asset appreciates in value, it will make a profit, as it will pay a fixed price for a commodity that is worth more;
- ◆ For the seller of the contract, i.e. the party selling a certain commodity at a certain date and at a price already fixed in the contract, the risk is represented by the appreciation in the commodity. The contractual undertaking, in fact, forces it to sell the commodity at a lower price than the price it would make on the market. On the other hand, it will make a profit if the underlying asset depreciates in value since, thanks to the contract arranged, it will sell the commodity at a higher price than the market price.



The contract may be executed at maturity with:

- ◆ The actual delivery of the underlying commodity by the seller to the buyer following payment of the delivery price: in this case, it constitutes a physical delivery;
- ◆ Payment of the difference in cash between the current price of the underlying asset, at maturity, and the delivery price indicated in the contract. This difference, if positive, will be returned by the seller to the buyer of the contract, and vice versa if negative: in this case, it constitutes a cash settlement.

The main types of forward contracts are as follows:

a) Forward contracts

Forward contracts are characterized by the fact that they are traded outside trading venues. The delivery price is also known as the forward price. In forward contracts, the only cash flows take place at maturity, when the buyer receives the underlying commodity in exchange for the price agreed in the contract (physical delivery), i.e. the two parties exchange the difference between the market price of the assets at maturity and the delivery price indicated in the contract which, if positive, will be payable by the seller to the buyer and vice versa if negative (cash settlement). This type of contract includes currency forward contracts.

b) Futures contracts

These are differentiated from forward contracts by the fact that they are standardized and traded in trading venues and have the clearing house as the sole counterparty (in Italy, Cassa di Compensazione e Garanzia – CC&G). Their price, which, like all listed securities, is the result of trading, is also known as the future price. The future price corresponds to the delivery price of the underlying asset but, since they are listed, is not specifically contracted between the parties since, like all listed securities, it is the result of the purchase bids made by a party wishing to buy meeting the sale bids made by a party wishing to sell. It is generally indicated in "index points". The underlying asset may be a financial asset, **financial futures** or **commodities futures**. At the time of sale of the contract, the two parties have to pay CC&G the initial margins that will be returned at maturity. Each day, CC&G calculates the difference between the value of the contract that day and the value of the contract on the previous day and requests payment of the margin of variation by the party accruing the loss. This mechanism will be repeated at maturity of the contract.

SWAPS

In swaps, two parties agree to swap payment flows (also known as cash flows) at certain dates. Payments may be expressed in the same currency or in different currencies and the amount thereof is determined in relation to an underlying asset. Swaps are not traded on regulated markets, but are executed from time to time under bilateral agreements between interested parties (known as Over The Counter, or OTC). The underlying asset may be of various types and considerably influences the characteristics of the contract which may, in practice, take different forms. It is precisely the variation in the value of the supply that generates the risk/return profile:



the party that is bound by a supply whose value has depreciated compared to the initial value (and therefore compared to the consideration) will make a profit and vice versa.

At maturity of the contract, the contractual financial obligations may be extinguished by crediting/debiting a sum equal to the profit/loss deriving from the position matured (**cash settlement**) or with the physical delivery/withdrawal of the underlying asset (**physical delivery**).

OPTIONS

An option is a contract that attributes the right, but not the obligation, to buy (call option) or sell (put option) a given quantity of (underlying) assets at a pre-fixed price (strike price) at any time by a certain date (expiry or maturity), in which case it constitutes an American option, or when a preagreed date is reached, in which case it is a European option.

The asset underlying the option contract may be: a) a financial asset, such as shares, bonds, currencies, derivative financial instruments, etc.; b) a commodity, such as oil, gold, wheat, etc.; c) an event of varying types.

The buyer, following payment of a sum of money known as the premium, buys the right to sell or buy the underlying asset. The seller receives the premium and, in return, is required to sell or buy the underlying asset on the buyer's request. Execution of the contract for certain types of options may be effected:

- ◆ With actual delivery of the underlying asset, which is known as physical delivery;
- ◆ With the delivery of the difference in cash between the current price of the underlying asset and the strike price (cash settlement).

Buying an option is a highly volatile investment and there is a very high probability that the option will be of no value at maturity. In this case, the maximum loss for the investor is given by the premium paid plus the commission paid to the intermediary. The sale of an option generally gives rise to a higher risk as the losses that may be sustained by the seller, in the event of an unfavourable market trend, may be potentially unlimited. Options may be traded both on regulated markets and outside of them (i.e. Over The Counter, or OTC).

EXCHANGE TRADED COMMODITIES (ETC)

ETCs are financial instruments issued following direct investment by the issuer or in physical goods (in this case, the ETCs are defined as physically-backed) or in derivative contracts on raw materials. In the case of ETCs, one therefore has to assess the counterparty risk. The price of the ETC is connected, directly or indirectly, with the trend of the underlying assets.



COMPLEX FINANCIAL INSTRUMENTS/PRODUCTS

In general, complex instruments/products are characterized by:

- ◆ Optional elements (relating to one or more risk factors), conditions or mechanisms for amplifying the trend of the underlying assets (leverage effect) in the form of determining the pay-off of the financial product; and/or
- ◆ Limited observability of the underlying assets (e.g. proprietary indices, portfolios of securitized loans, assets not traded on transparent markets) with the resulting difficulty in valuing the instrument; and/or
- ◆ Illiquidity (e.g. an instrument not traded in any trading venue) or difficulties in liquidation of the investment (e.g. lack of institutional counterparties on the market, high costs of release, barriers to exit).

The following products are considered to be highly complex which may therefore be unsuitable for retail Clients unless the appropriate safeguards are put in place (complexity level 5/5).

Financial products of very high complexity not normally suitable for retail clients (Black List). Credit-linked products may be marketed to retail clients if the appropriate safeguards are put in place.	<ol style="list-style-type: none">i. financial products deriving from loan securitization transactions or transactions involving other assets (e.g. Asset Backed Securities)ii. financial products for which, upon the occurrence of certain conditions or on the issuer's initiative, the conversion into shares or reduction in the nominal value is provided for (e.g. Contingent Convertible Notes, products classifiable as Additional Tier I pursuant to Article 52 of EU Regulation no. 575/2013 (known as CRR))iii. credit-linked financial products (exposed to a third party credit risk)iv. derivative financial instruments referred to in Article 1, paragraph 2, letters d) to j) of the TUF, not traded in trading venues, for non-hedging purposesv. structured financial products, not traded in trading venues, whose pay-off does not render full return of the capital invested by the client at maturity certain
Financial products of very high complexity	<ol style="list-style-type: none">vi. derivative financial instruments referred to in Article 1, paragraph 2, letters d) to j) of the TUF other than those referred to in point ivvii. financial products with pay-offs linked to the indices that do not observe the ESMA guidelines of 18 December 2012 on ETFs



	<p>viii. perpetual bonds</p> <p>ix. alternative UCIs</p> <p>x. structured financial products, traded in trading venues, whose pay-off does not render full return of the capital invested by the client at maturity certain</p> <p>xi. financial products with leverage greater than 1</p> <p>xii. UCITS referred to in Article 36 of EU Regulation no. 583/2010 (i.e. structured UCITS providing investors with a pay-off, on certain pre-established dates, based on an algorithm and linked to the return, to the development of the price or to other conditions of financial assets, reference indices or portfolios, or UCITS with similar characteristics) as well as class III or V policies with similar characteristics.</p>
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CERTIFICATES

Certificates are securitized derivative financial instruments, that is, a combination of financial contracts embedded into an instrument which can be traded as though it were an equity. They are issued by financial institutions which assume the obligation to pay the flows due as specified in the respective information prospectus.

Based on the classification proposed by ACEPI,⁴ they are divided into:

- ◆ **Protected/guaranteed equity instruments:** these are instruments that offer the possibility of investing in financial activities guaranteeing the protection of capital invested. The level of protection is defined at the time of issue of the product, so as to offer total protection (100%) or partial protection of the capital invested (e.g. 90%, 80% or lower). The protection threshold therefore establishes the minimum amount of capital invested that may be recovered or, conversely, in the event of partial protection, the maximum amount of capital invested that may be lost;
- ◆ **Conditionally protected equity instruments:** these are instruments that allow the exposure to specific assets offering a partial guarantee of capital, conditioned on not reaching certain barrier levels at the time of issuance, allowing the client to benefit from the increase in the underlying assets, and at the same time protect the capital invested (but only if the underlying assets do not reach the protection barrier), and, for some types of certificates, allow a profit to be made even in the event of small decreases. These are therefore investment products for which the efficacy of the protection mechanism is subject to the underlying assets failing to reach a certain barrier

⁴ ACEPI (Associazione Italiana Certificati e Prodotti di Investimento [Italian Association of Certificates and Investment Products]), which includes the main issuers of structured products.



level. This barrier is fixed at the time of issue below the initial price of the underlying assets, generally at 30% or 40%;

- ◆ **Unprotected equity instruments:** these products allow the bearers to invest in a specific underlying asset, replicando la dinamica del sottostante, in maniera proportionately or more than proportionately. The assets underlying these certificates are usually indices, commodities, baskets and more generally underlying assets not easily achievable by an individual investor with a direct investment;
- ◆ **Leverage instruments:** also known as leverage certificates, these may be bull or bear. Bull leverage certificates are financial instruments that allow the investor to assume a bullish position on the underlying assets by using just a portion of the value requested to buy them. Bear leverage certificates are financial instruments that allow the investor to assume a bearish position on the underlying assets: buying a certificate with bear leverage is financially equivalent to selling the underlying assets short and simultaneously placing a deposit with the issuer equal to the amount corresponding to the strike price, for a period coinciding with the residual life of the certificate.

WARRANTS AND COVERED WARRANTS

Warrants are financial instruments exchangeable at trading venues that grant the holder the right to subscribe for, buy or sell, at or by the maturity date, a certain quantity of financial instruments (generally shares). Covered warrants are derivative financial instruments issued by a financial intermediary granting the buyer the right to buy (covered warrant call) or sell (covered warrant put) an underlying asset at a pre-established price (strike price) at (or by) a pre-fixed maturity date. Covered warrants, unlike normal warrants, can have any asset for which an official price exists, be they bonds, government securities, other financial instruments, interest rates, exchange rates or commodities, as the underlying instrument, and are issued by companies other than those that issue the underlying instrument itself. Covered warrants may also entail physical delivery of the underlying instrument or cash settlement of the difference, if positive, between the price of the underlying instrument and the strike price (covered warrant call), or the difference, if positive, between the strike price and the price of the underlying instrument (covered warrant put).

CREDIT-LINKED CERTIFICATES AND CREDIT LINKED NOTES

Credit-linked certificates are financial instruments that offer the investor the possibility of obtaining premiums at regular intervals linked to the ability of one or more of the companies involved to meet their obligations. Such amounts are paid only if, during the certificate's life, no credit event involving the relevant company has occurred. A credit event may involve, for example, bankruptcy or the failure to pay coupons or a debt restructuring implemented by one or more of the companies covered by the certificate or individual debt securities. If a credit event occurs, the capital protection lapses, and at expiry, when the default event occurs, the investor will only receive a percentage of the certificate's issue price, which typically is the recovery value of the underlying instrument. Credit-linked certificates expose the investor both to the



solvency risk of one or more of the companies involved in the certificate, and to the issuer risk that characterizes all certificates of any kind.

FINANCIAL PRODUCTS ISSUED BY INSURANCE COMPANIES

The degree of risk of the financial insurance product depends both on the type of underlying asset and on the presence or otherwise of guarantees of return of the capital or of a minimum return on investment. Financial insurance products are divided into:

a) Index-linked policies

Index-linked policies are life insurance contracts in which the value of the benefits is linked to the trend of a specific index or another benchmark which may be a share market index/security or a basket of indices or securities. The investor therefore assumes the risk associated with the trend of this benchmark.

Index-linked policies generally provide a guarantee of return of the capital invested at maturity and are therefore also subject to the issuer risk.

b) Unit-linked policies

Unit-linked policies are contracts in which the amount of the sum insured depends on the trend of the value of the units of internal insurance funds/UCIs in which the premiums paid are invested and give rise to the risks connected with the variations in value of the units themselves, which are in turn affected by fluctuations in the price of the financial instruments in which the fund's resources are invested.

c) Endowment policies

An endowment policy is a contract whereby the investor assigns a specific sum of money to the insurance company which, through separate management, undertakes to return it on a predetermined date, capitalised and increased by the interest accrued over the term of the contract, the return not being affected by any reference to the lifetime of the policyholder or other parties. In short, the capital invested is revalued annually, based on the returns on the investments made by the separate management, taking the guaranteed minimum into account, if present. The insurance company may be required to effect payment in a single instalment or as a life annuity. This type of policy does not present the risk of loss of capital if minimum guarantees of return are provided by the insurance company. If the endowment policy is associated with an internal insurance fund or a benchmark, however, the same risks as those described for unit-linked policies or index-linked policies are present.

F.2 DISCLOSURE ON RISKS RELATED TO INVESTMENTS

This section provides Clients and potential Clients with basic information on the nature and risks connected with investments in: a) financial instruments; b) derivative financial



instruments; c) financial insurance products; and a brief description of the financial products/services supplied by the Bank.

GENERAL WARNINGS

Before investing in financial instruments, the investor must obtain information from the Bank on the nature and risks of the transactions that are being considered. The investor must only close a transaction if he has properly understood the nature and level of exposure to risk involved. To that end, the Bank makes the relevant documentation available to Clients before closing a transaction.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL INSTRUMENTS

To assess the risk deriving from an investment in financial instruments, the following aspects must be borne in mind:

- ◆ The variability in the price of the financial instrument;
- ◆ The liquidity;
- ◆ The currency in which it is denominated;
- ◆ The degree of complexity of the financial instrument;
- ◆ Inflation;
- ◆ The other factors that constitute a source of general risks.

A separate discussion must be held on derivative financial instruments and structured bonds forming a derivative part and with regard to financial insurance products.

VARIABILITY OF PRICE

The price of each financial instrument depends on many factors and may vary to a greater or lesser extent depending on the nature thereof.

SPECIFIC RISK AND GENERIC RISK

Both for equity securities and for debt securities, the risk may be ideally broken down into two components: the specific risk and the generic (or systematic) risk. The specific risk depends on the issuer's particular characteristics and may be substantially reduced by subdividing the investment into securities issued by different issuers (portfolio diversification), while the systematic risk represents that part of variability of the price of each security that depends on the market fluctuations and cannot be eliminated by diversification. The systematic risk for equity securities traded at a trading venue originates from the market changes in general. The systematic risk of debt securities originates from fluctuations in market interest rates that affect the prices (and therefore the returns) of securities to a greater extent the longer the residual life (the residual life of a security at a certain date is represented by the period of time remaining between that date and the time of its repayment).



ISSUER RISK

For investments in financial instruments, one has to assess the solid equity position of the issuing companies and their economic prospects taking into account the characteristics of the sectors in which they operate.

One has to consider that the prices of **equity securities** reflect the average expectations of market operators on the prospects of a profit made by the issuing enterprises at any time. With regard to **debt securities**, the risk that the issuing companies or financial entities are unable to pay the interest or repay the capital loan is reflected in the amount of interest that these bonds guarantee for the investor. The higher the perceived risk of the issuer, the higher the interest rate the issuer will have to pay the investor. To assess the suitability of the interest rate paid by a security, one must take into account the interest rates paid by issuers whose risk is considered to be lower, particularly the return offered by government bonds, with regard to issues with the same maturity.

RISKS DERIVING FROM THE APPLICATION OF MEASURES TO REDUCE OR CONVERT EQUITY INSTRUMENTS AND/OR BAIL-IN MEASURES

Within the scope of the issuer risk concerning financial instruments issued by banks, acquired either within the scope of investment service agreements or within the scope of the portfolio management contract, the investor must also take into account the so-called bail-in introduced by the European legislation on the prevention and management of banking crises (European Directive 2014/59/EU "Banking Resolution and Recovery Directive", introduced into the Italian legal system with Legislative Decrees nos. 180 and 181 of 16 November 2015).

Based on that Directive, among the instruments for managing banking crises and investment companies, measures have been provided for in particular to reduce and convert shares and other equity instruments (including subordinated bonds) and resolution measures, to which the Resolving Authorities (in Italy the Bank of Italy) may have recourse when the procedure for reducing or converting shares and other equity instruments does not allow the intermediary's state of serious difficulties or risk of serious difficulties to be remedied. Among these resolution measures, the bail-in consists in reducing shareholders' and creditors' rights, with the possibility of setting the nominal value at zero, or in converting their rights into equity in order to absorb the losses and recapitalise the bank experiencing difficulties. Bail-in is applied following a hierarchy whose logic provides for the person investing in more risky financial instruments to sustain any losses or conversion to shares before the others. Only after exhausting all the resources of the highest risk category is the following category involved.

More specifically, the order of priority in the event of recourse to bail-in is as follows: i) shares; ii) other equity securities; iii) subordinated bonds; iv) bonds and other admissible liabilities, including deposits of more than €100,000 made by persons other than natural persons and small and medium-sized enterprises; v) deposits made by natural persons and small and medium-sized enterprises of sums exceeding €100,000. Investors subscribing to or acquiring the aforesaid financial instruments issued by banks, by parent companies of banking groups, by companies belonging to banking groups with



offices in Italy, in other member states of the European Union or even non-EU countries but operating in Italy or in the territory of the European Union through a branch or by investment companies must therefore consider their investment to be exposed to the risks indicated, even if the financial instruments were acquired prior to the date of entry into force of the measures to reduce or convert equity securities or the bail-in measures (1 January 2016).

Details of the main instruments involved in and excluded by the bail-in are provided below.

Instruments involved in and excluded from Bail-in

Instruments involved	◆ Shares and units in banks and investment companies ◆ Warrants ◆ Bank and investment company bonds ◆ Subordinated securities ◆ Repurchase agreements ◆ Bearer certificates of deposit ◆ Deposits not protected by the deposit guarantee system (i.e. for sums exceeding €100,000) ◆ Derivative contracts
Instruments excluded	◆ Deposits protected by the deposit guarantee system (i.e. for sums up to €100,000) ◆ Liabilities guaranteed, including guaranteed bank bonds and other instruments guaranteed ◆ Liabilities deriving from the holding of Client assets or under a fiduciary relationship, e.g. the contents of a safe deposit box or securities held in a suitable account ◆ Interbank liabilities (excluding intragroup relations) with an original term of less than 7 days ◆ Liabilities deriving from participation in payment systems with a residual term of less than 7 days ◆ Sums payable to employees, trade payables and tax payables, provided they are privileged by the bankruptcy legislation
Exceptional exclusions	◆ Assets which, included in the bail-in, undermine the stability of the financial/economic system (asset positions of senior authorities/companies with national influence) ◆ Complex assets which, if used in the bail-in practice, would lengthen the execution times ◆ Assets which, if included in the bail-in, would destroy value, with worse consequences for the other creditors as well.

INFLATION RISK

Inflation risk is the risk that the future real value of a good, asset or cash flow will be reduced following an unexpected change in the inflation rate. Inflation, i.e. the



widespread increase in prices of goods and services, will reduce the purchasing power of the income received on the assets held and/or will reduce their real value. Inflation risk affects all asset classes but is particularly significant for cash and liquid assets and for fixed-income securities, which are the most exposed to the reduction in purchasing power caused by inflation.

INTEREST RISK

With regard to **debt securities**, the investor must take into account the fact that the actual measurement of interest is constantly adapted to the market conditions by variations in the price of the securities themselves. The return on a debt instrument will only be close to that incorporated into the security itself at the time of purchase if the security itself is held by the investor to maturity. If the investor needs to release the investment before the security matures, the actual return could be different from that guaranteed by the security at the time of purchase.

In particular, for securities providing for the payment of pre-defined interest that may not be altered over the term of the loan (fixed-rate securities), the longer the residual life the greater the variability in the price of the security itself in relation to variations in the market interest rates. For example, consider a zero coupon security – a fixed-rate security that provides for the payment of interest in a single instalment at the end of the period – with a residual life of 10 years and a return of 10% per annum: the increase in market rates by one percentage point gives rise to a reduction in price of 8.6% for the aforesaid security.

It is therefore important for the investor, in order to assess the suitability of his investment in this category of securities, to check when he may need to release the investment.

RISK DIVERSIFICATION

As pointed out, the specific risk of a particular financial instrument may be reduced by diversification, i.e. by subdividing the investment into several financial instruments. Diversification may prove costly and difficult to implement for an investor with limited assets, however. Investors may achieve a high degree of diversification at low cost by investing their funds in units or shares of collective investment undertakings (mutual investment funds, variable-capital investment companies (SICAV) or fixed-capital investment companies (SICAF)). These undertakings invest the funds paid in by savers among the various types of securities provided for by the regulations or investment programmes adopted.

It should be pointed out that **investments in these types of financial instruments may be risky**, however, owing to the characteristics of the financial instruments in which they plan to invest (e.g. funds only investing in securities issued by companies operating in a particular sector or in securities issued by companies domiciled in certain States) or owing to an insufficient diversification of investments.



LIQUIDITY

The liquidity of a financial instrument consists of its ability to be converted quickly into cash without impairment. This depends firstly on the characteristics of the market on which the security is traded. In general, with other conditions being equal, **securities traded on markets are more liquid than securities not traded on those markets**, since the supply and demand for securities is largely carried on those markets and therefore the prices recorded thereon are more reliable as indicators of the actual value of the financial instruments. Several types of financial instruments are liquid not owing to the existence of a secondary market but owing to the fact that the party managing them or acting as the client's counterparty at the time of liquidation assumes specific contractual obligations to buy back the product or to convert the product itself into cash at objectively defined prices, without penalization and with predetermined timing (e.g. mutual open-ended investment funds, bonds for which the issuer assumes the obligation to buy them back from the client under predefined conditions). One should therefore take into consideration the fact that the release of illiquid products (such as AIF, Private Markets, etc.) and the performance of transactions outside the organized markets may cause higher risks to be assumed by the investor, taking into account the difficulties in selling in reasonable periods and/or the possibility of selling at a price that does not represent the actual value of the product itself, or penalization in economic terms in general.

CURRENCY OF DENOMINATION

If a financial instrument is denominated in a currency other than the investor's reference currency, typically the euro for an Italian investor, in order to assess the overall risk of the investment one has to take into account the volatility of the exchange rate between the reference currency (euro) and the foreign currency in which the investment is denominated, as the trend of exchange rates may condition the overall result of the investment and may also result in significant losses of the capital invested. This is particularly true for the currencies of the so-called emerging countries, which are typically more volatile.

RISK RELATED TO REQUESTS FOR ADDITIONAL PAYMENTS

Private Markets funds and AIFs may provide for recall and distressed follow-on mechanisms, which, if triggered, require the investor to make further payments during the fund's life (over and above the capital initially invested).

OTHER FACTORS CONSTITUTING A SOURCE OF GENERAL RISKS

MONEY AND SECURITIES DEPOSITED

The investor may obtain information on the protection provided for sums of money and securities deposited for the performance of transactions, particularly in the event of the intermediary's insolvency. The possibility of recovering possession of money and securities deposited could be conditioned by particular legislative provisions in force in the places in which the depositary has offices, as well as the guidelines of bodies



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which, in cases of insolvency, are attributed powers to settle the asset positions of the party experiencing difficulties. See section C.3 in this respect.

COMMISSION AND OTHER CHARGES

Before commencing operations, the investor must obtain detailed information on commissions, expenses and other charges payable to the intermediary. This information must be included, however, in the contracts on the investment services or in the information provided on the financial product. The investor must always take into consideration the fact that these charges should be deducted from any profits made in the transactions performed while they will be added to any losses incurred.

TRANSACTIONS PERFORMED ON MARKETS DOMICILED IN OTHER JURISDICTIONS

Transactions performed on markets domiciled abroad could expose the investor to additional risks. These markets could be regulated in such a way as to offer reduced guarantees and protection for investors. Before performing any transaction on these markets, investors should obtain information on the rules concerning these transactions and any actions that may be undertaken with regard to such transactions.

ELECTRONIC SYSTEMS SUPPORTING TRADING

The trading systems are supported by computerised systems for the order routing procedures, for cross-referencing, recording and clearing transactions. Just as all automated procedures, the systems described above may suffer temporary outages or be subject to malfunctioning.

The possibility for the investor of being indemnified for losses deriving directly or indirectly from the events described above could be jeopardised by limitations of liability established by the suppliers of the systems or by the markets. The investor should obtain information from the intermediary on the aforesaid limitation of liability connected with the transactions under consideration.

INCREASES IN CAPITAL KNOWN AS HYPER-DILUTING INCREASES

Pursuant to Consob Notice no. 0088305 of 5 October 2016, hyper-diluting increases are increases in capital with option rights characterized by the issue of a very high number of shares compared to the number of shares in circulation at a highly discounted price in relation to the market price. Investors acquiring option rights to the shares resulting from a hyper-diluting increase in issuers' capital with shares listed in Italy may exercise these option rights and receive new shares before the end of the increase in capital. The delivery of new shares before the end of the increase in capital may, however, cause the investor to forfeit the right of revocation provided for by Article 95-bis, paragraph 2, of the Consolidated Finance Act. To prevent the investor from unknowingly forfeiting the right of revocation, the Bank delivers the new shares at the end of the increase in capital, unless the investor expressly requests early delivery.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are characterized by a very high risk that cannot be assessed by the investor due to the complexity thereof.



Derivative instruments are typically subject to considerable fluctuations of price and value; thus derivatives trading entails the assumption of risks, *inter alia* material, and can generate negative earnings results that are hard to predict in advance, there being no guarantee of positive expected results being delivered.

Investors must therefore only close transactions in such instruments after understanding the nature and the degree of exposure to the risk involved. One should consider that, in general, trading in derivative financial instruments is not suitable for many investors.

Several risk characteristics of the most common derivative financial instruments are illustrated below.

LEVERAGE EFFECT

Transactions in futures involve a high degree of risk. The amount of the initial margin is lower (by a few percentage points) than the value of the contracts and this produces the so-called "leverage effect". This means that a relatively small movement in market prices will have a proportionately greater impact on the funds deposited with the intermediary: this result may be unfavourable or favourable to the investor. The margin initially paid, as well as further payments made to maintain the position, may consequently be lost completely. If the market movements are unfavourable to the investor, he may be called upon to deposit further funds at short notice in order to keep the position in futures open. If the investor fails to make the additional payments requested within the specified period, the position may be sold at a loss and the investor will owe any other liabilities arising.

ORDERS AND STRATEGIES AIMED AT REDUCING THE RISK

Several types of orders aimed at reducing losses within certain predetermined maximum amounts may prove ineffective as particular market conditions could make it impossible to execute such orders. Investment strategies that use combinations of positions, such as "standard combined positions", could also have the same risk of individual "long" or "short" positions.

OPTIONS

Transactions in options involve a high level of risk. Investors intending to trade in options must first understand the functioning of the types of contracts which they intend to trade in (put and call).

RISK FOR OPTION BUYER

If a call option is purchased, it only makes sense to exercise the option if the market price of the underlying instrument is higher than the strike price. Given that acquisition of the call option has a cost (which is the premium that must be paid to the party granting the option, that is, whoever agrees to guarantee the buyer the right to acquire the underlying instrument at the agreed price), if prices fall, the value of the call option will be close to zero, and the maximum loss that the investor will occur will be the premium paid.



If a put option is acquired, the Client bets on the market falling without the costs associated with short selling (i.e. selling securities which the Client does not own), and without exposing themselves to potential losses if the market moves in the opposite direction to the one hoped for.

In general, “long” positions on options allow the investor to take a position betting on the market rising or falling, with the possible maximum loss limited to the premium paid in order to acquire the option itself.

The buyer of an option has the choice not to exercise their right at expiry (or by the expiry date for American options), which effectively limits the losses they can incur.

RISK FOR OPTION SELLER

The seller remains obliged to meet the commitment provided for in the option they have granted to the buyer. When a call option is sold, the premium initially collected reduces if the price of the underlying instrument increases above the option's strike price. The option's seller therefore hopes that the market remains flat or falls. Against a limited immediate profit, the loss is potentially unlimited.

Conversely, where a put option is sold, the initial premium collected is reduced if the price of the underlying instrument reduces to below the strike price. The maximum profit is therefore obtained if the price remains unchanged or increases. For the seller of the put option too, the profit is limited, whereas the loss is “almost” unlimited (the underlying instrument cannot have a negative value, the maximum loss will occur when the value of the underlying instrument is zero).

RISKS RELATED TO CONTRACTUAL TERMS AND CONDITIONS

Investors must obtain information from their intermediaries on the terms and conditions of the derivative contracts on which they intend to trade. Particular attention should be paid to the conditions on which the investor is required to deliver or receive the assets underlying futures contracts and, with regard to options, the maturity dates and procedure for the exercise thereof. In certain particular circumstances, the contractual conditions could be amended by decision of the market supervisory authority or clearing house⁵ in order to incorporate the effects of changes concerning the underlying assets.

RISKS RELATED TO SUSPENSION OR LIMITATION OF EXCHANGE AND RATIO BETWEEN PRICES

Special conditions of market illiquidity and the application of certain rules in force on several markets (such as suspensions deriving from irregular price movements known as circuit breakers) may increase the risk of losses, making it impossible to perform

⁶ The authority managing clearing transactions on a regulated market, reducing the risk of default on transactions. A person participating in a regulated market pays a registration fee and in return obtains membership in a clearing house which always guarantees the solvency of the counterparty.



transactions or to liquidate or neutralise positions. In the case of positions deriving from the sale of options, this could increase the risk of sustaining losses.

RISK OF TRANSACTIONS ON DERIVATIVE INSTRUMENTS PERFORMED OUTSIDE TRADING VENUES (OTC)

Intermediaries may perform transactions on derivative instruments outside of trading venues (regulated markets, multilateral trading systems, organized trading systems) subject to the client's prior consent. The intermediary to whom the investor applies for OTC derivatives trading could also act as the Client's direct counterparty (i.e. act on its own behalf). For transactions performed outside of trading venues, it may prove difficult or impossible to sell or transfer a position or to assess the actual value thereof or to assess the actual exposure to risk. For these reasons, these transactions may involve the assumption of higher risks.

With Regulation (EU) No. 648/2012 (EMIR) and Commission Delegated Regulation (EU) No. 2016/2251 coming into force, the conclusion of OTC derivative contracts may result in the Client being obliged to clear concluded contracts, and, for OTC derivative contracts not subjected to clearing, to establish the variation margin and the initial margin for the benefit of the Client's counterparties. Before performing these types of transactions, the Client must obtain all significant information on them, the rules applicable and the resulting risks.

The parties to the contract may freely establish the characteristics of the OTC financial derivative instruments.

RISK OF SWAPS

Swap contracts involve a high degree of risk. There is no secondary market and no standard form for these contracts. The nature of the “hedging instrument” is the first risk that originates from the contract being traded, in the sense that it is impossible to benefit from favourable changes in the hedged variable. Another risk implicit in the swap is counterparty risk, i.e. the risk of the bonds deriving from the contract not being honoured (this risk is especially relevant in cases where the agreement involves two non-financial companies). For such contracts, it is especially important that the counterparty in the deal is solid financially, because if the Contract gives rise to a margin in favour of the investor, this can only actually be collected if the counterparty is solvent. In certain situations, the Client may be called upon by the intermediary to pay guarantee margins even before the date for the settlement of differences.

If the Contract is arranged with a third party counterparty, the investor must obtain information on the third party's standing and ensure that the intermediary will assume liability if the counterparty becomes insolvent.

If the Contract is arranged with a foreign counterparty, the risks of correct performance of the Contract may increase depending on the rules applicable to each particular case.



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RISKS OF OTC FORWARDS AND OPTIONS

OTC forward contracts and options present largely the same risks as those described in the sections on Forward Contracts and Options (to which reference is made) respectively. Moreover, as these instruments do not have a standardized content and are traded over the-counter, they constitute illiquid instruments that are not suitable for circulation.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL INSURANCE PRODUCTS

Financial insurance products comprise two separate components: insurance and financial. The insurance component derives from the nature of life policies as provided for by the Italian Civil Code and by the monitoring regulations. The financial component, on the other hand, derives from the fact that the insurance company invests the net premiums received from subscribing Clients in underlying financial instruments (e.g. bonds possibly combined with options, mutual investment funds, etc.). Therefore, with regard to the underlying financial instruments, the insurance policy will be subject to the risks recalled in the previous sections, where applicable.

A combination of the two components, combined with the variety of the types of contracts regulating these products, generate different degrees of risk that require the Client to initially understand the functioning and characteristics of the financial insurance products under consideration.

Further aspects that must be taken into consideration include the aspects connected with the possible lack of liquidity of the investment, possible costs of subscribing to the product or penalties existing in the event of early redemption.

It should be noted that the distribution of these products to the retail public is subject to prior submission of the Key Information Document (KID) containing all the characteristics, information and risks relating to the product. Before subscribing to a financial insurance product, the Client or potential Client should read all the information contained in the aforesaid documentation.

PORTRFOLIO MANAGEMENT

The portfolio management service allows investors to make use of the knowledge and experience of professionals in the sector in choosing financial instruments in which to invest and perform the relevant transactions. Investors may guide the risk of the management service by defining by contract the limits within which management choices should be made. These limits, considered overall, define the characteristics of a **line of management** and must be set out in the appropriate written contract executed between the Bank and the Client. Investors must obtain full information from the intermediary on the characteristics and degree of risk of the line of management to which they intend to subscribe, and should only conclude the contract if they are reasonably sure that they have understood the nature of the line of management and the degree of exposure to risk it involves. Before concluding the contract, after assessing the degree of risk of the line of management selected, the investor and the intermediary must assess whether the investment is suitable for the investor, particularly



with regard to asset position, investment objectives and experience and knowledge in the field of investments in financial instruments.

The risk of a line of management depends on the following:

- ◆ **The categories of financial instruments in which the Client's capital may be invested and the limits stipulated for each category:** the risk characteristics of a line of management will tend to reflect the risk of the financial assets in which they may be invested, in relation to the portion represented by those instruments of the capital managed. For an assessment of the risk of investing in financial instruments, see the information provided in the section "General risks associated with investments in financial instruments". More specifically, it is noted that, if the line of management subscribed for provides for the possibility of investing in financial instruments issued by banks, the investor should take into account, for the purposes of assessing the risk of the line of management, the impact of so-called bail-in on the issuer risk (see the information provided in section F.2 in this respect);
- ◆ **The degree of financial leverage that may be used within the scope of the line of management.** Financial leverage measures the number of times the equivalent value of the financial instruments held for management on the Client's behalf may be multiplied (through the use of derivatives) compared to the capital held by the Client himself. It should be noted that, for many investors, **financial leverage equal to one should be considered appropriate**. In this case, in fact, it does not affect the risk of the line of management. The increase in the financial leverage used gives rise to an increase in risk in the line of management, with the possibility also of multiplying the losses. Therefore, before considering financial leverage greater than one, besides assessing the suitability thereof with the intermediary with regard to his own personal characteristics, an investor should:
 - a. Understand that minor variations in the prices of the financial instruments present in the portfolio managed may give rise to variations that become higher as the measurement of financial leverage used increases and that, in the event of negative variations in the prices of the financial instruments, the value of the capital may fall considerably;
 - b. Understand that the use of financial leverage of greater than one may, in the event of negative management results, give rise to losses even exceeding the capital assigned for management and that, therefore, the investor could find himself in a situation of debt to the intermediary.

"Financial leverage" refers to the ratio of market value of the net exposure in financial instruments and the value of the assets entrusted to the Bank and which are the subject of the Management Service, calculated based on the reporting criteria envisaged pursuant to Article 13; for measurement of the same, the transactions carried out and not yet settled contribute to determining the market value of the net positions in financial instruments based on the value date, i.e. at the date of their settlement.

Financial leverage is a number equal to or greater than one. The Client declares to be fully aware that the use of financial leverage of greater than one involves an increase



in risk and may, in the event of negative management results, give rise to losses even exceeding the capital assigned for management and that, therefore, the Client could find himself in a situation of debt to the Bank.

With regard to the maximum financial leverage that may be used by the Bank, the management characteristics stipulate if the Bank is authorized to use financial leverage and the maximum amount usable. The Bank is also bound to inform the Client when the overall value of the portfolio under management records a decrease equal to 10% the portfolio's value as recorded at the previous statement date, and by multiples of 10% thereafter. The disclosure is sent to the client no later than the end of the working day on which the limit is exceeded, and if it is exceeded on a non-working day, no later than the end of the next working day.

F.3 DISCLOSURE ON SUSTAINABILITY RISKS AND CONSIDERATION OF ADVERSE IMPACTS ON SUSTAINABILITY

As required by Regulation (EU) 2019/2088 (the "SFDR Regulation"), this section provides the Clients and potential Clients with information on: a) how sustainability risks are integrated into investment decisions in the area of individual portfolio management services and investment services of investment advice; b) the likely impacts of sustainability risk on the return on financial products.⁶

SUSTAINABILITY RISK AND POTENTIAL IMPACTS ON THE RETURN ON FINANCIAL PRODUCTS

"Sustainability risk" is defined as an environmental, social or governance event or condition, which, if it occurs, could generate a material adverse impact on the value of an investment, in addition to the financial risks described in section F.2 of the Document. Sustainability risk in connection with environmental issues may include climate risk, both physical and transition. Physical risk derives from the physical effects of climate changes, acute or chronic: for example, frequent and seriously intense climate events can generate an impact on products, services, and the supply chain. Transition risk is related to companies' capability to mitigate and adapt to climate changes, and also to adjust to a low-carbon emissions economy. The risks related to social issues may include, but are not limited to, the right to work and relations with the community, to issues such as inequality and inclusivity, to investments in human capital and the prevention of accidents in the workplace. Risks related to governance may include, among other things, the composition and effectiveness of the Board of Directors, incentives to management, quality of operations and alignment in terms of direction with shareholders, bribery and corruption and the use of improper sales practices. These risks may have an impact on the operating effectiveness and resilience of an issuer, and on its public and reputational perception, impacting on its profitability, and in turn, on the growth of its capital. The above represents examples of sustainability risk factors, and the materiality, seriousness, and time horizon of such risk factors may vary, even significantly, according to the products managed, the composition of the portfolios, and the risk management techniques used in

⁶ For the purposes of this section, the financial products considered are: line of managements, UCITs, AIFs, insurance-based products with financial content, as defined in section



connection with them.

Accordingly, sustainability risk is greater, the less account is taken of environmental, social and governance factors ("ESG factors") in the financial product management policies for investment decisions.

In order to ensure that sustainability risk is integrated into the provision of individual portfolio management and/or investment services of investment advice, the Bank adopts an approach intended to reduce the risks deriving from environmental, social and governance issues with regard to management of portfolios on behalf of clients or financial products on which it provides advice.

SUSTAINABILITY RISK IN INDIVIDUAL PORTFOLIO MANAGEMENT

The Mediobanca Private Banking Division has ensured that sustainability is integrated into the investment process for the portfolios managed, and, through Mediobanca SGR, has adopted a scoring system for the potential adverse impacts that sustainability risk could have on the financial return of an investment.

The scoring system involves Mediobanca SGR applying a qualitative and quantitative methodology based on the ESG ratings of financial instruments, which allows the sustainability risk and potential adverse impact deriving from the occurrence of a related event on the return of each management product to be measured.

The "sustainability score" assigned to each product is a score ranging from 0 (minimum risk) and 5 (maximum risk), each of which corresponds to a risk assessment that may be summarized by one of the following values: Low, Modest, Medium, Material, or High, where "Low" represents cases in which the expectations regarding the occurrence of an event related to sustainability risk and the adverse impacts deriving from are considered to be minimal, whereas "High" stands for cases where such expectations are at very high levels. This information is provided to the client in the management characteristics described as part of the contractual documentation for the management service.

CONSIDERATION OF ADVERSE IMPACTS ON SUSTAINABILITY IN INDIVIDUAL PORTFOLIO MANAGEMENT

In providing individual portfolio management services, Mediobanca takes into consideration the principal adverse impacts of its investment decisions on sustainability factors (the "PAIs") at company level in the decision-making. In particular, the Bank takes the PAIs into consideration by calculating, monitoring and reporting the indicators in accordance with the provisions of the reference regulations, and with reference specifically to the PAIs identified as having priority, but setting specific targets to reduce or maintain the values resulting for each of them, and defining the measures for achieving them.

Beyond the mandatory PAIs, procedures adopted by the Bank identify the supplementary indicators for consideration based on the following variables:

- a) Consistency between PAIs selected and the environmental, social and governance objectives set at Group level;
- b) Availability of data for each indicator, taken from external sources and not



estimated;

- c) Coverage of data available for each indicator relative to the weight of the issuers/financial instruments in the portfolios managed.

In accordance with the areas defined as priorities by the Bank's Sustainability Policy (which include protection of human rights, diversity and inclusion, the environment and climate change) and based on the availability of data, the PAIs on which the Bank focuses most attention are as follows:

- Gender inequality in the Board of Directors;
- Exposure to controversial weapons;
- Greenhouse gas emissions.

For the PAIs identified as priorities listed above, the Bank has identified specific metrics by which to measure them, and has set qualitative improvement or maintenance targets to be monitored over a three-year time horizon. The priority PAI values are therefore monitored over time, and if a significant difference between two calculation periods are noted, remediation actions are undertaken to ensure that the set target is met.

SUSTAINABILITY RISK AND INVESTMENT ADVICE

In providing investment advice activities, the Bank has adopted risk measurement instruments, primarily the ESG rating of an investment. This indicator provides evidence of a company's ability to manage its own exposure to the ESG risks that could potentially affect its financial performance. Companies with lower ESG ratings may be more likely to be involved in serious disputes on ESG issues and the value of the instruments issued by such companies to be lower as a result.

Furthermore, in line with the Bank's ESG Policy, specific negative screening criteria have been adopted in selecting the equities and bonds to be included in the Investible Universe for advisory products. A list of issuers that fail to meet the ESG Policy's negative screening criteria is drawn up and updated on a regular basis. The exclusion of these issuers enables potential and additional losses of value for the instruments issued by issuers involved in serious reputational disputes to be limited.

The Bank may also use lists of so-called "Top Recommendations" produced for each type of instrument (e.g. UCITS, other financial instruments) and/or investment issues. Consideration is given to sustainability risk among other factors in the selection of these instruments.

CONSIDERATION OF ADVERSE IMPACTS ON SUSTAINABILITY RISK AND INVESTMENT ADVICE

The SFDR stipulates that ESG factors must be integrated into the provision of advisory services, through consideration of the fact that investments may have adverse impacts on environmental, social, and staff-related issues, on respect for human rights and on the fight against corruption, both active and passive.



In relation to the UCITS and IBIPs that may be recommended as part of the investment advice service, the Bank receives information on the consideration given to PAIs by participants in financial markets, in order to assess whether or not the match the sustainability preferences expressed by clients who have said they want to invest in this type of instrument.

The Bank does not classify instruments by means of thresholds or rankings based on the indicators and PAI metrics envisaged by Commission Delegated Regulation (EU) 2022/1288, but instead uses indicators qualitatively to appraise the consideration given by a participant to at least one environmental and/or social PAI and the degree to which this matches with the preference expressed by the client.

As required by the reference regulations, the objective of collecting clients' sustainability preferences is to identify, among other things, clients' potential interest in investment products that factor in PAIs for sustainability, including preferences for environmental PAIs (including, but not limited to, greenhouse gas emission levels, revenues deriving from non-renewable sources, impact on biodiversità, etc.), social PAIs (such as percentage of female Board members, activities related to controversial weapons, etc.), or both types. These preferences are taken into consideration in assessing the appropriateness of the transactions that are recommended to the client.

According to the suitability model defined by the Mediobanca Private Banking Division, clients are offered, consistent with their sustainability preferences, financial instruments or products that factor in adverse impacts on sustainability with regard to environmental and/or social issues. Furthermore, if the client's preference for this type of deal is not satisfied by the overall portfolio, the client is provided with a breakdown of the financial products that do not take environmental and/or social PAIs into account.

The suitability assessment described above is performed using information published by the investment houses themselves and/or made available by the info-providers used, as required by the SFDR and related technical implementation standards.

The sources used to obtain information on the financial instruments/products covered in the advice regarding the degree to which they factor in consideration of sustainability PAIs and the related PAI indicators, if any, are as follows:

- Specialist external info-providers;
- Information obtained directly from the companies and/or counterparties concerned;
- Information provided by the individual third-party investment houses on products manufactured and managed by them (through the "EMT", and, where available, "EET" templates).

These checks are made based on data and information made available by the investment houses and info-providers used on the individual financial products/instruments required for the suitability assessment to be made relative to the sustainability preferences expressed by clients. The Mediobanca Private Banking Division is committed to obtaining the necessary data and information, and ensuring it is updated, in order to comply with all requirements set by the regulations in force at the time.



In addition, in implementation of its ESG Policy, the Bank has adopted negative screening criteria to identify issuers, and exclude them from the investible universe, that are involved in the controversial weapons sector or that have been convicted or have otherwise been involved in serious disputes regarding human rights issues, labour exploitation, environmental damage, and bribery and corruption. By restricting the investible universe in this way, direct investments in issuers with involvement in the above issues is excluded from the range of products that can be recommended.

G. INFORMATION ON COSTS, CHARGES AND INCENTIVES ASSOCIATED WITH THE PROVISION OF SERVICES

If required by the legislation and as agreed by contract, the Bank provides the Client in good time with full information on the costs and charges relating to the financial instruments and the investment or ancillary service provided, including any incentives received by the Bank in relation to the service provided and the overall effect of the costs on the equivalent value of the transaction. This information is provided for the Client before providing the investment or ancillary service.

If required by the legislation and in the event of an ongoing relationship with the Client, the Bank sends the Client an annual personalised report on the costs of the investment services and financial instruments, indicating the aggregate total costs charged to the Client during the reference period. On the Client's request, this information is also supplied in analytical form.

H. INFORMATION ON THE MANAGEMENT OF CONFLICTS OF INTEREST

The Bank is required to take all appropriate measures to identify, prevent and properly manage conflicts of interest that may arise between the Bank and its clients or among two or more clients during the course of providing services by Mediobanca.

A summary of the "Policy on the management of conflicts of interest in providing banking and investment services and activities, ancillary services and lending and deposit activities" (the "Policy") adopted by the Bank is provided below. **Whenever requested by the Client, further details on the policy on conflicts of interest will be provided by the Bank on a durable medium.**

The Policy describes the methods of identification, prevention and management of conflicts of interest, even potential, which, by impacting Mediobanca's capacity to act independently, could damage the interests of one or more of the Bank's clients.

Correct and timely identification and management of conflicts of interest that may arise in the provision of services is, in addition to being necessary in order to comply with the aforementioned provisions of law, of fundamental importance for the protection of the interests of customers and to safeguard the Bank's reputation.

Mediobanca applies and maintains a policy for management of conflicts of interest, which has been compiled in view of the nature of the activities performed by the Bank



and adopted in accordance with the provisions of Directive 2014/65/EU and the related implementation regulations.

Conflict of interest

Conflict of interest is a situation in which the Bank, in providing an investment or ancillary service, or a lending or deposit service, may harm a client's interests in favour of its own interests or those of another client.

Conflicts can be divided into "internal conflicts", i.e. situations in which the Bank could damage the interests of a client for the benefit of its own interests, or "external conflicts", i.e. situations in which the Bank could damage the interests of a client for the benefit of those of another client.

Situations of conflict of interest include cases in which, following performance of a service, the Bank:

- ◆ Could achieve a financial profit or avoid a financial loss, to the detriment of the client;
- ◆ Has an interest in the result of the service provided to the client which is different from that of the client;
- ◆ Has a financial or other incentive to favour the interests of different clients than the client for which the service is provided;
- ◆ Carries out the same business as the client;
- ◆ Receives or may receive an incentive, from someone other than the client and in relation to the service provided to said client, in the form of monetary or non-monetary benefits or services, other than the commissions or fees normally received for such a service.

In providing the service to the client, Mediobanca, within the limits of the applicable regulations, could pay or receive fees, commissions, retrocessions or other non-monetary benefits or inducements to or from third parties (including other companies in the Monte dei Paschi di Siena Group).

Mediobanca provides a wide range of investment, ancillary and banking services to a vast number of clients. Therefore, Mediobanca could hold interests, relationships and agreements of significant importance in regard to a transaction carried out with or on behalf of a client (or with regard to the subject financial instrument or investment of the transaction) or that could give rise to a conflict of interest.

Provided below is a non-exhaustive list of certain types of interests, relationships or agreements that Mediobanca may have with regard to the provision of a service, performance of a transaction or a financial instrument that is the subject of a transaction:



- ◆ Mediobanca may place with its clients and consider, as part of the services of consulting and management of the portfolios of its Clients, financial instruments:
 - a) Issued by Mediobanca or by other Monte dei Paschi di Siena Group companies;
 - b) Issued by companies i) with which Mediobanca has significant relationships (i.e. shareholdings or dealings between related parties) or ii) to which Mediobanca provides investment banking services (including the lending service), including cases where the proceeds of the offers of instruments are used to repay loans of Mediobanca or other Monte dei Paschi di Siena Group companies;
- ◆ Mediobanca may structure, on behalf of an issuer, the repurchase of financial instruments also held by Mediobanca or other Monte dei Paschi di Siena Group companies;
- ◆ In acquisition transactions, Mediobanca may carry out the role of advisor of one of the potential purchasers and the role of lender to other potential purchasers;
- ◆ Mediobanca may produce research regarding companies to which Mediobanca provides investment banking services;
- ◆ Mediobanca may provide clients with the trading service involving financial instruments for which Mediobanca carries out the role of market maker/liquidity provider.

Conflict of interest management model

To ensure proper compliance with obligations in terms of conflict of interest management, the Bank:

- ◆ Has adopted processes and instruments that enable timely identification of conflicts of interest;
- ◆ Has implemented Standard Measures⁷ that permit the elimination or mitigation of risk of damaging the interests of its clients;
- ◆ May determine, with respect to the individual conflicts analysed, specific Additional Measures⁸ to integrate the Standard Measures;
- ◆ Ensures rapid handled of any cases of conflict identified;
- ◆ Provides, if necessary, disclosure to clients with regard to conflicts present in the services offered. In this regard, MiFID II envisages that the disclosure be adopted as an extreme measure to be used only when the organizational and administrative arrangements adopted to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable certainty, that the risk of harming the interests of the

7) Organizational measures and standard procedures to best manage conflicts of interest (current and potential) in order to minimize the risk of damage to clients interests.

8) Further Measures to be implemented in the event in which the Standard Measures implemented by the Bank prove to be insufficient in adequately protecting clients' interests.



client is avoided. In this context, however, the Compliance Unit identifies, *ex ante* or through a case-by-case analysis, the circumstances in which it considers it appropriate to provide information to its Clients, not as an extreme measure in the event of conflicts that are not adequately managed, but in order to ensure correct and transparent management of the relationship with the Clients themselves, even when conflicts are deemed to be adequately managed;

- ◆ Files and saves the conflict cases handled, highlighting any Measures implemented.⁹

Mediobanca reviews the Policy on conflicts of interest at least annually and assess potential updates.

I. INFORMATION ON THE ORDER EXECUTION AND TRANSMISSION STRATEGY

This section provides a summary of the order execution and transmission Strategy adopted by Mediobanca, provided to clients upon opening the account and to which reference is made with regard to any additional information on the subject topic. The updated version of the Strategy is available on the Bank's website, in the MIFID_Best execution section. The regulations on Best Execution contained within the community legislation on investment services - MiFID II - require investment companies to undertake, in executing the orders of Clients, to implement all of the necessary measures to achieve the best possible result, taking into consideration a specific series of factors.

These regulations apply indiscriminately to all financial instruments, whether admitted to trading on a regulated market or not, regardless of the actual place of trading.

In order to fulfil its obligation to guarantee best execution to its clients and unless otherwise indicated by the client, the Bank considers total consideration as a determining factor for retail clients, consisting of the price of the financial instrument and the relative execution costs, which include all expenses incurred by the client and directly related to execution of the order.

With regard to its professional clients, the Bank believes that in certain circumstances and for certain clients, orders, financial instruments or markets, additional execution factors other than price, such as speed or likelihood of execution, may lead to a better result for the client. The Bank therefore adopts an execution policy for its professional clients, unless specifically requested otherwise, which also attaches greater importance to execution factors other than price.

In accordance with MiFID II, whenever the client gives specific instructions, the Bank complies with these instructions in executing the order (unless there is a conflict with

⁹) In particular, Mediobanca updates a Register of conflicts of interest that contains notes, in relation to the services/activities provided, on the conflict of interest situations handled by the Compliance Function and the Measures, including any Further Measures, adopted by the Bank.



local regulations applicable to the order), thus ensuring that the client's will prevails over the provisions of its strategy.

In any case, the execution of an order upon specific instruction of the client on a part or aspect of the order does not affect the Bank's best execution obligations with respect to any other part or aspect of the order not covered by the specific instruction.

The Bank continuously monitors the effectiveness of its Execution and Transmission Policy, the execution measures implemented and the quality of execution guaranteed by the execution venues and broker-dealers identified, promptly remedying any shortcomings identified.

In relation to orders received by Clients on equity instruments and ETP, the Bank adopts dynamic best execution models provided by the brokers through which it executes orders. These models provide access to the execution venues, listed in the Execution and Transmission Strategy.

In relation to orders received from Clients with regard to bond instruments, the Bank adopts, a dynamic best execution model, which provides access the execution venues, selected and approved by the Bank in advance and included in the order Execution and Transmission Strategy.

For trading based on orders involving bond instruments listed on Regulated Markets, MTFs or OTFs, it has been observed that national regulated markets and multilateral trading facilities directly accessible by the Bank are able to offer competitive trading conditions and high levels of liquidity, ensuring coverage of the prevailing range of instruments currently and historically traded from its client base.

However, with regard to these orders, the Bank may offer, upon specific instruction by the client or if the order exceeds a quantitative threshold set with the client, the possibility to execute orders through an RFQ (Request for Quote) workflow with specific counterparties/market makers, on MTF or OTC.

For orders of bond instruments listed for trading on a Regulation Market, MTF or OTF to which the Bank does not access directly, the trading desk may:

- ◆ Transmit the order for execution to a broker with access to the relevant trading venues;
- ◆ Carry out the transactions by trading the orders with other counterparties/market makers;

In the case of derivative financial instruments on equity instruments (options and futures), orders are transmitted to authorized brokers. For derivatives listed on trading venues to which Mediobanca has direct access, Mediobanca reserves the right to execute the order directly.

With regard to orders on currencies (Forex Forward), the Bank executes the orders acting as a direct counterpart to the client.



L. COMPLAINTS

Complaints regarding financial products

If the Client wishes to make a complaint regarding a product or the Bank's conduct, they may make the complaint using one of the following methods: (i) sending a letter by recorded delivery with return receipt addressed to Piazzetta Enrico Cuccia 1, 20121 Milan, Italy, and marked for the attention of the "Complaints Office"; (ii) by email, to the following address: reclami@mediobanca.com; (iii) by certified email, to the following address: mediobanca@pec.mediobanca.it, and marked for the attention of the Complaints Office.

Mediobanca must reply to complaints within 60 days. If the claim is found to be justified, Mediobanca must inform the Client in writing, specifying the deadline by which it undertakes to resolve the problem reported. Otherwise, if Mediobanca finds that the claim is unjustified, it must give reasons why it has not upheld the complaint. If the Client does not receive a response within the set deadline, or is unsatisfied with the response they receive, before taking legal action they may contact the Italian financial arbitrator ("Arbitro per le Controversie Finanziarie, or "ACF") or other forms of out-of-court settlement for disputes. For further information the Client should consult the "Complaints" section of the Bank's website at www.mediobanca.com. For complaints regarding banking services provided by the Bank, reference is made to the provisions specifically governing such cases in the contract signed by the Client for the specific service.

Complaints regarding insurance-based investment products

If the Client wishes to make a complaint regarding the distribution of an insurance-based investment product by Mediobanca, they should follow the procedure illustrated in the above section (cf. "Complaints regarding financial products").

If the Client wishes to make a complaint on matters pertaining to the insurance-based investment product itself, the complaint should be sent in writing to the company's Complaints Office at the address provided in the forms delivered when the product was subscribed to. The company must respond within 45 days. If the Client does not receive a response by the deadline set, or if they are dissatisfied with the outcome, they may contact the insurance ombudsman through the portal available on its website (www.arbitroassicurativo.org), where the requirements for eligibility can be checked and information found on how to make an appeal along with other useful guidelines, or alternatively through the FIN.NET financial dispute resolution network, of which the Insurance Company is a member or to which it is subject pursuant to Article 2(3) of Decree no. 2105 issued by the Italian Ministry for Business and "Made in Italy" of 6 November 2024.5.



MEDIOBANCA

Certificate of delivery of the information document

(to be kept by the Intermediary)

I certify that, before signing the contractual documentation on the products and services offered by the Bank, I have received a copy of this Information Document.

Place and date _____

Legible signature of the client(s)/potential client(s)
