

For the attention of: Head of Compliance

As you are aware, Regulation (EU) No 600/2014 on Markets in Financial Instruments and Directive 2014/65/EU on Markets in Financial Instruments (repealing and replacing Directive 2004/39/EC on Markets in Financial Instruments) (collectively “MiFID II”) which came into force on 3 January 2018 brings in significant regulatory changes.

To ensure compliance with the new MiFID II regulatory regime, we provide you with this letter and the new Terms of Business that supersede all previous terms and conditions of business sent to you concerning the business covered by these Terms.

Any existing fees and charges applicable to your account(s) will remain unchanged.

We may require separate written agreements to be executed where we provide certain services, including, but not limited to:

- **Custody services;**
- **Dealing services in over the counter (“OTC”) derivatives;**
- **Investment Management Service**
- **Advisory service**

In addition to the above, we draw your attention to the information provided on our website www.methodinv.com where you will find important information as regards Method’s Order Execution Policy, and other important legal and regulatory disclosures.

Giuseppe Dessi

Director, CEO.



CLIENT CATEGORISATION & TERMS OF BUSINESS

(Eligible Counterparty and Professional Clients)

Under the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), Method is required by the rules of the Financial Conduct Authority (FCA Rules) to classify its clients into one of three regulatory categories. This categorisation determines the UK regulatory requirements that will apply to Method in providing services to those clients. This letter informs you of the categorisation given to you.

In accordance with the FCA Rules and based on information that we hold about you, **we have categorised you as an Eligible Counterparty or a Professional Client** (Categorisation Notice) as defined by the FCA Rules, and you will be treated as such in respect of all business we conduct with or for you.

If you have been categorised as an Eligible Counterparty you have the right to request a different categorisation either as a **Professional Client** or a **Retail Client** in order to benefit from a higher degree of regulatory protection. However, as a firm we are unable to provide services directly to Retail Clients.

If you are have been categorised as a “Professional Client” and notify us in writing that you wish to be classified as an “Eligible Counterparty” and you meet the criteria for such classification, we will treat you as an “eligible counterparty” until you notify us in writing otherwise or we have reason to believe that you no longer meet the criteria for such classification. Although you may request to be classified as a “retail client”, we regret that we are unable to transact any business with you on that basis.

Should you wish to avail of a different categorisation from the one assigned to you, you can forward your request in writing to compliance@methodinv.com. Please note that if you do request a different categorisation we are not obliged to deal with you on this basis.

Where we treat you as an Eligible Counterparty, you will not be granted a number of the statutory and regulatory protections applicable to a “Professional Client” such as (but not limited to), best execution and information regarding our fees and commissions paid or received.

We are enclosing our Terms of Business (“the Terms”) which set out the terms on which we conduct business with you. The Terms together with this covering letter constitutes a legally binding agreement and you should ensure that you have read and understood them.

The Terms cover relevant investment business conducted with you by Method Investments & Advisory Ltd.

We represent, warrant and undertake to you, that Method Investments & Advisory Ltd have obtained and will continue to maintain all necessary authorisations, licenses, consents and approvals to engage in all business with you.

If you have any queries about this communication, please contact your Method representative.



In this communication you will find relevant information regarding the following aspects:

- General Terms and Conditions
- Schedule 1: Execution Policy
- Schedule 2: Client Details and MiFID II Consents (**to be signed and returned**)
- Schedule 3: Risks

These terms and conditions do not cover Advisory Service and Investment Management Service, should you be interested to receive these services please contact your Method representative.

To provide your consent to the Terms and/or to the provisions set out above, please print and sign a copy of Schedule 2 and either:

- **Return a copy to: Method Investments & Advisory Ltd –40 New Bond Street,, W1S 2RX, London, UK;**
- **Fax a copy to Method at: 0044 (0)20 3430 2101; or**
- **Pdf and email a copy to Method at: compliance@methodinv.com**

Giuseppe Dessi

Director, CEO.

TERMS OF BUSINESS

FOR PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES

(v. 6.0)



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DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, the following words and expressions shall, unless the context otherwise requires, have the following meanings:
- “Act”** means the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012 ;
- “Additional Agreement”** means any agreement entered into between the parties from time to time in addition to this Agreement;
- “Affiliate”** means an “affiliated company” as defined in the FCA Rules;
- “Applicable Laws”** means all laws, rules, regulations and other requirements that are applicable to the Services provided under this Agreement including, without prejudice to the foregoing generality, the Act, the FCA Rules, the Listing Rules, the DTR and the rules or requirements of any governmental, regulatory or self-regulatory organisation, exchange, clearing house, alternative trading system or market;
- “Best Execution”** means the duty of best execution with which Method is required to comply in accordance with the provisions of the Conduct of Business Sourcebook contained in the FCA Rules and Directive 2014/65/EU (MiFID II);
- “Client”** means the client specified in Schedule 2;
- “Commencement Date”** means the date on which the Client first instructs Method to provide Services to it or to a principal of the Client or such other date as may be agreed between the parties;
- “Companies Act”** means the Companies Act 2006;
- “Conflicts of Interest Policy”** means Method’s policy dealing with identification and management of conflicts of interest in accordance with the FCA Rules;
- “DTR”** means the Disclosure and Transparency Rules made from time to time by the FCA as the competent authority for the purposes of Part VI of the Act;



“Execution Policy”	means Method’s policy relating to the execution of orders and decisions to deal on behalf of clients, as required by the FCA Rules and Directive 2014/65/EU (MiFID II);
“FCA”	means the Financial Conduct Authority (or such other undertaking (including any successor to the FCA) as shall be responsible for regulating Method in the carrying on of its business in the United Kingdom);
“FCA Rules”	means the FCA handbook of rules and guidance for the time being in force;
“Instruction”	means any order, instruction, direction or request provided by the Client to Method, including without limitation, an instruction to enter into or execute a Transaction;
“Investment”	means any investment which is a Designated Investment;
“Listing Rules”	means the listing rules from time to time made by the FCA as the competent authority for the purposes of Part VI of the Act;
“London Stock Exchange”	means London Stock Exchange PLC;
“Trading Venue ”	means either a regulated market, organised trading facility or a multilateral trading facility, as defined by MiFID II;
“Method”	means Method Investments & Advisory Ltd;
“Personal Data”	has the meaning ascribed to this term in the Data Protection Act 2018;
“Services”	means the services to be provided by Method to the Client pursuant to this Agreement; and
“Systematic Internaliser”	investment firm which, on an organised, frequent and systematic and substantial basis, deals on own account by executing client orders outside a regulated market an MTF or an OTF without operating a multilateral system.
“Transaction”	means any transaction in, or relating to or comprising an Investment.



MIFID II means the EU Markets in Financial Instruments Directive 2014/65/EU (MiFID II Directive), the Markets in Financial Instruments Regulation 596/2014 (MiFIR), and each related delegated directive and regulation thereto, each as amended or restated from time to time;

1.2 In this Agreement (including the recitals hereto), unless the context otherwise requires:

- a) words and expressions defined in the FCA Rules shall have the same meanings when used in this Agreement and shall be identified by the use of a capital letter at the start of such word or at the start of each word in such expression;
- b) a reference to a statute or statutory provision includes a reference:
 - (a) to that statute or statutory provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision;
 - (b) to any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (c) to any subordinate legislation made under it;
- c) references to the singular shall include the plural and *vice versa*; references to any gender shall include all genders; words denoting persons shall include undertakings (as defined in section 1161 of the Companies Act), and *vice versa*; and references to recitals, clauses, sub-clauses or schedules are to recitals, clauses, or sub-clauses of, or schedules to this Agreement.

1.3 The headings to clauses are for convenience only and shall not affect the construction or interpretation of this Agreement.

1.4 These Terms of Business govern each Transaction entered into or outstanding between Method and the Client following the Client's acceptance of these Terms of Business. Method has requested that the Client acknowledge these Terms of Business by returning to Method a signed acknowledgment which accompanies these Terms of Business. If the Client does not return a signed acknowledgement, the Firm shall be entitled to treat the Client's continuing to do business with Method as the Client's acceptance of these Terms of Business.



METHOD'S STATUS

Method is authorised and regulated by the FCA with Financial Conduct Authority firm reference number 208692 and having its registered office at 40 New Bond Street, London W1S 2RX and LEI CODE: 213800GK3K7QZWWKXU03

APPLICATION

- 1.5 This Agreement shall apply to all business conducted between Method and the Client from time to time in relation to the Services. By instructing Method to provide the Services, the Client agrees to be bound by the terms and conditions set out in this Agreement with effect from the Commencement Date together with all other terms and conditions notified by Method to the Client.
- 1.6 Unless otherwise agreed, this Agreement shall supersede all other agreements and understandings between the parties relating to the subject matter of this Agreement but without prejudice to any accrued rights of the parties thereunder.
- 1.7 This Agreement shall be supplemental, and in addition to, any Additional Agreement entered into between the parties from time to time, and in the event of any inconsistency between such Additional Agreement and this Agreement, the Additional Agreement shall prevail.
- 1.8 The parties agree that in the event of any conflict between the Applicable Laws and this Agreement, the Applicable Laws shall prevail. Method shall be entitled to take such action or omit to take such action as Method deems necessary to ensure compliance with the Applicable Laws and Method shall not be liable to the Client for any act or omission deemed necessary by Method in order to ensure compliance with the Applicable Laws.
- 1.9 All transactions will be subject to the rules of the exchange, market and/or any clearing house or clearing system from time to time in force ("Applicable Rules") through which the transaction is executed, as well as the laws, rules and/or regulations of any relevant jurisdiction (including for the avoidance of doubt the MiFID II Regime and the MiFID II Regulations) ("Applicable Laws"). If there is any conflict between the provisions of Terms of Business and the Applicable Rules or Applicable Laws, the latter will prevail. In addition Method may take or omit to take any action the Firm thinks appropriate to ensure compliance with any Applicable Rules, Applicable Laws or the customs of the exchange, market and/or any clearing house or clearing system ("Applicable Customs"). Method shall not be obliged to do anything which would, in Method's opinion, infringe Applicable Rules, Applicable Laws or Applicable Customs. Neither Method nor any of its affiliates, agents, officers, directors or employees shall be liable to the Client, or have any responsibility of any kind for any



losses incurred or suffered by the Client, for the non-performance, partial performance or delay in performance of any of its obligations under these Terms of Business or in respect of any services resulting from actions taken by the Method, in each case, for the purpose of compliance with Applicable Rules, Applicable Laws or Applicable Customs.

SERVICES

- 1.10 Method may provide the following Services to the Client under this Agreement:
- a) Reception and Transmission of orders in relation to one or more financial instruments
 - b) Execution of orders on behalf of Clients
 - c) arranging or introducing Transactions;
 - d) such other services as may be agreed between Method and the Client from time to time.
- 1.11 Except to the extent that Method is providing Advisory Services subject to separate terms and conditions or as otherwise agreed between the parties from time to time, Method shall not be required to advise the Client on the legal, regulatory, tax, business, financial, accounting or other consequences of a Transaction and the Client shall make its own assessment of the Transaction and exercise its own judgment on the merits of the Transaction.
- 1.12 In the event that Method provides Investment Research to the Client, the Client agrees and acknowledges that such Investment Research does not constitute advice and that Method does not give any representation, guarantee or warranty in relation to the accuracy or completeness of such information.

CLIENT CATEGORISATION

- 1.13 The Client shall be treated as either a Professional Client or an Eligible Counterparty for the purposes of the FCA Rules as notified by Method to the Client in writing.
- 1.14 Under the FCA Rules, the Client is able to request classification as a Retail Client notwithstanding Method's classification as a Professional Client or Eligible Counterparty. Method shall not be obliged to deal with a Client who requests classification as a Retail Client and may terminate this



Agreement in the event that such a request is received.

- 1.15 Method assesses what investments and services should be made available to our different client and target market types. Method may provide the client services where our identified target market for such services includes Professional Clients and/or Eligible Counterparties.
- 1.16 If the Client is classified as an Eligible Counterparty, the Client will not have the protection afforded by certain regulatory rules, including:
- (a) acting in accordance with a client's best interests;
 - (b) assessing the appropriateness of services or products proposed to clients or requested by clients;
 - (c) taking all sufficient steps for obtaining the best possible result for the execution of client orders;
 - (d) implementing procedures providing for the prompt, fair and expeditious execution of client orders relative to the orders of our other clients or our trading interests;

FEES BENEFITS AND COSTS

- 1.17 The Client shall pay to Method such fees, charges, commissions and expenses in respect of the Services provided under this Agreement as agreed between the parties from time to time. Unless otherwise agreed, the Client shall be responsible for all transfer fees, registration fees, taxes, duties and other charges of a similar nature which may become due and payable in relation to a Transaction.
- 1.18 Unless otherwise agreed, the Client shall pay Method the fees payable by the Client pursuant to clause 6.1 at the end of each calendar month during the term of this Agreement.
- 1.19 Method will not receive any fee, commission or non-monetary benefit (other than such fees, commissions and charges referred to in clause 6.1 above) from third parties unless in accordance with Applicable Laws, and should this apply, it will do so by providing details to the Client of the existence, nature and amount of such fees, commissions or benefits or of any remuneration sharing arrangements to the extent required by Applicable Laws.
- 1.20 The Client shall make all payments due by the Client to Method under this Agreement upon demand without deduction or withholding for any tax unless otherwise required by Applicable Laws and all



amounts payable by the Client under this Agreement shall be exclusive of amounts of value added tax chargeable for the time being (“VAT”). Where any taxable supply for VAT purposes is made under this Agreement by Method, the Client shall, on receipt of a valid VAT invoice from Method, pay to Method such additional amounts in respect of VAT as are chargeable on the supply of the Services at the same time as payment is due for the supply of the Services.

- 1.21 Without limiting any other right or remedy of Method, if the Client fails to make any payment due in relation to a Transaction or otherwise under this Agreement by the due date for payment (“**Due Date**”), Method shall have the right to charge interest on the overdue amount at the rate of 5 per cent. per annum above the then current Société Générale base rate accruing on a daily basis from the Due Date until the date of actual payment of the overdue amount, whether before or after judgment, and compounding quarterly.
- 1.22 The Client shall pay all amounts due in relation to a Transaction or otherwise under this Agreement in full and shall not be entitled to assert any credit, set-off or counterclaim against Method in order to justify withholding payment of any such amount in whole or in part. Method may, without limiting its other rights or remedies, set off any amount owing to it by the Client against any amount payable by Method to the Client.
- 1.23 Time shall be of the essence with respect to any payment, delivery or other obligation that the Client may have under this Agreement or in relation to a Transaction.
- 1.24 Without prejudice to the obligations set out in MiFID II, where Method has categorised the Client as an eligible counterparty or professional client, the Client agree to a limited application of the detailed requirements on costs and charges in accordance with and where permitted by Article 50(1) (information on costs and associated charges) of the MIFID II Delegated Regulation 2017/565. In this circumstance and where relevant, Method will not provide the Client with:
- a) an illustration showing the cumulative effect of costs on return when providing a Service on an ex-ante or ex-post basis;
 - b) where any part of the total costs and charges is to be paid in or represents an amount of foreign currency, an indication of the currency involved, the applicable currency conversation rates and the arrangements for payment or other performance; or
 - c) costs and associated charges charged by other parties for their services where Method has directed the Client to such other parties and all costs and charges associated with the manufacturing and managing of Financial Instruments, by such third party, where they



are not a cost charged by Method.

CLIENT REPRESENTATIONS AND WARRANTIES

1.25 The Client represents and warrants to Method on its own behalf, and where applicable, on behalf of any principal on whose behalf the Client is acting, at the Commencement Date as well as at the date of each Transaction that:

- a) it has the full power and capacity to enter into this Agreement and all Transactions and it has taken all necessary steps required to enable it to enter into and perform its obligations under this Agreement and the Transactions;
- b) it has obtained and will continue to maintain all authorisations, licences, consents, and approvals required of it by Applicable Laws in order for it to enter into, and to perform its obligations under, this Agreement and the Transactions;
- c) the entry into, and the performance of its obligations under this Agreement and the Transactions will not violate any Applicable Laws; and
- d) this Agreement and the Transactions represent valid and binding obligations enforceable against it in accordance with their terms.

1.26 Where Method agrees that the Client will act as agent for the purposes of this Agreement, the Client represents and warrants that:

- a) the principal can make the representations and warranties set out in clause 8.1 to the extent and effect that it were a party to this Agreement;
- b) the Client has full authority to instruct Method in relation to the business carried on by the Client on the principal's behalf pursuant to this Agreement;
- c) the Client has no reason to believe that the principal would not be able to perform any settlement obligations under the Transaction; and
- d) the Client has no reason to believe that the principal is unable to engage in such Transaction or to perform its obligations under such Transaction under any Applicable Laws.

EXECUTION OF ORDERS



1.27 Method, when placing/executing orders, will act honestly, fairly and professionally in accordance with the best interests of the Client and acknowledges that it owes the Client a duty of Best Execution and, subject to any specific instructions given by the Client, undertakes to take all reasonable steps to obtain, when executing orders, the best possible result for the Client taking into account the Execution Factors, where appropriate, and except where the Client has elected to be an Eligible Counterparty, in accordance with Method's Execution Policy.

1.28 Appropriateness

On the basis that Method has categorised the Client as a professional client or an eligible counterparty (as applicable, and including where the Counterparty has requested to be treated as such and the Firm has agreed), Method can assume that the Client has the necessary experience and knowledge in order to understand the risks involved in relation to those investment services or transactions, or types of transaction or product, which Method provides to or enters into with the Client. This means that the Client will not benefit, in these circumstances, from any conduct of business rules that could require Method to assess the appropriateness of the product or service for the Counterparty under Article 25 of MiFID II.

1.29 The Client hereby consents to Method's Execution Policy, a summary of which is attached at Schedule 1.

1.30 Method may aggregate orders with those of other clients and will allocate such transactions on a fair and reasonable basis in accordance with Method's aggregation and allocation policy, subject to the requirements of the FCA Rules. The Client recognises that aggregation may operate to the advantage or disadvantage of the Client.

1.31 The Client instructs Method not to make public Limit Orders in respect of shares admitted to trading on a trading venue and which are not immediately executed under prevailing market conditions.

1.32 The Client hereby consents to Method executing on behalf of the Client any orders outside a trading venue.

CONFLICTS OF INTEREST

1.33 Method shall manage conflicts of interest fairly in accordance with its Conflicts of Interest Policy, where any potential conflict of interest may arise either between Method and the Client or between the Client and another client of Method. Where Method is unable to manage effectively such conflict, it will disclose this fact to the Client in accordance with its Conflicts of Interest Policy.



1.34 The Client attention is drawn to the fact that when Method enter into Transactions with the Client or arrange Transactions for the Client, Method, or any Associate or an employee of either, may have a material interest in such Transactions or a conflict of interest in respect of such Transactions. Subject to Applicable Regulations, neither Method nor its Associate or any employee will be under a duty to disclose such interests to the client prior to or at the time of entering into any Transaction. The categories of such interests which are, or which might be material include, but are not limited to:

- a) having (or having other clients who have) a holding or position (long or short position) in the investment concerned (or another investment related to it);
- b) quoting prices to the market and dealing in the investment concerned (or an investment related to it); and
- c) being a connected company of the issuer of the investment concerned (or an investment related to it).

Method could be dealing as principal on own account or a Third Party could be dealing as principal on its own account by selling the investment concerned to the Client or buying it from the Client , or Method could be matching client's Transaction with that of another client, or with a client of a Third Party, by acting on such client's behalf. Subject to Applicable Regulations, Method or a Third Party may charge remuneration to both the Client and the other client and retain such remuneration without being liable to disclose, or account to the client for, such remuneration.

A summary of our conflicts of interest management policy can be requested on our website at www.methodinv.com

INSTRUCTIONS

1.35 The Client may give Instructions to Method from time to time by telephone or in writing by letter, fax or any other electronic means. Any Instructions provided by the Client to Method shall not take effect unless actually received by Method.

1.36 Method may refuse to act on any Instruction for any reason, including, without limitation, if Method believes that there is any issue with the authenticity of any of the Instructions, where Method believes that the person providing the Instructions does not have the authority to provide such Instructions on behalf of the Client, or where acting on such Instructions would or may cause Method to be in breach of Applicable Laws. Method shall notify the Client as soon as reasonably



practicable in the event that it declines to accept any Instructions or enter into a Transaction and shall not be responsible for any liabilities, costs or expenses incurred by or on behalf of the Client or its principals as a result of Method so declining.

REGULATORY REPORTING

1.37 Under Applicable Laws, Method or the Client may be obliged to make information about certain transactions public. The responsibility for reporting the transaction (where applicable) shall fall on the relevant party as designated under the MiFID II Regime and Regulation (EU) No. 600/2014 on markets in financial instruments (“MiFIR”). Unless otherwise agreed in writing, where the Client is an investment firm Method will not report such transactions on the Client’s behalf. Where the Client is not an investment firm, the Client will not have an obligation to report such transactions under the MiFID II Regime or MiFIR.

1.38 Position Reporting

Under Applicable Laws, where the Firm is trading in commodity derivatives on behalf of the Client, the Firm may from time to time be required to report information relating to the positions in such financial instruments of the Client, and the Client’s underlying clients, and their clients.

TRANSACTION REPORTING

Method shall report all Transactions to the FCA which are required to be reported to the FCA under the FCA Rules.

Method may be obliged to report details of Client transactions and details about the Client to an applicable regulatory authority pursuant to Applicable Laws (including, without limitation, under the MiFID II Regime and MiFIR) (a “Transaction Reporting Requirement”).

Method will not make transaction report, as defined in MiFID II, for the Client in respect of any Transactions. The Client is responsible for adhering to any Transaction Reporting Requirements relevant to it under Applicable Laws.

CONFIRMATIONS

Method shall provide a confirmation, statement or contract note to the Client in respect of each Transaction executed pursuant to this Agreement. In the absence of manifest error, the Client shall be bound by the confirmation, statement or contract note unless the Client has raised an objection to the confirmation, statement or contract note within one Business Day of the date of receipt by



the Client.

CLIENT MONEY & CUSTODY

- 1.39 Method may hold Safe Custody Assets and/or Client Money on behalf of the Client on such terms and conditions as agreed between the parties from time to time.
- 1.40 The Client acknowledges and agrees that in the event that Method holds Client Money of the Client, Method shall place the Client Money into an account or accounts with a third party in accordance with the Client Money Rules. Method shall ensure that any Client Money of the Client deposited with a third party is held in an account or accounts identified separately from any accounts used to hold money of Method to the extent required by the Client Money Rules.
- 1.41 Method shall not place Client Money of the Client into an account opened with a Qualifying Money Market Fund without the Client's prior consent.
- 1.42 The Client agrees and acknowledges that Method may segregate Client Money of the Client in a different currency than that of receipt from the Client, in accordance with the Client Money Rules.
- 1.43 The Client agrees and acknowledges that Method may allow a third party to hold or control Client Money of the Client where Method transfers the Client Money for the purposes of a Transaction with or through the relevant third party or to meet the Client's obligation to provide collateral for a Transaction.
- 1.44 Method shall be entitled to retain any interest earned on, or accruing in relation to, any Client Money of the Client held by Method and the Client shall not be entitled to any such interest on the Client Money unless otherwise agreed by Method in writing.
- 1.45 In the event that Method holds Safe Custody Assets of the Client, Method may deposit such Safe Custody Assets in an account or accounts opened with a third party. Method shall ensure that any Safe Custody Assets of the Client deposited with a third party are identifiable separately from Method's assets held by the third party to the extent required by the Custody Rules.
- 1.46 Subject to the requirements of the Custody Rules, the Client may request in writing that Method deposit Safe Custody Assets of the Client with a third party in a country that is not an EEA State and which does not regulate the holding and safekeeping of Safe Custody Assets for the account of another person. In the event that the Client makes such request, the Client agrees and acknowledges that the Safe Custody Assets of the Client will be held with the relevant third party at the Client's risk and Method shall not be responsible for any loss or damage arising out of such



arrangements with the relevant third party.

- 1.47 Method shall arrange registration or recording of legal title to the Safe Custody Assets of the Client in accordance with the Custody Rules. The Client agrees and acknowledges that where the Safe Custody Assets of the Client are subject to the law or market practice of a jurisdiction outside of the United Kingdom and Method has taken reasonable steps to determine that it is in the Client's best interests to do so, or it is not feasible to do otherwise because of the nature of the applicable law or market place, Method may register or record legal title to the Safe Custody Assets of the Client in Method's name or the name of a third party.
- 1.48 The Client agrees and acknowledges that Method shall not be responsible for exercising any rights or claiming any benefits (including, without limitation, any voting rights, subscription rights or rights to conversion) arising in relation to or in connection with any Safe Custody Assets of the Client held by Method.
- 1.49 Method shall not enter into Securities Financing Transactions in respect of Safe Custody Assets of the Client or otherwise use any Safe Custody Assets of the Client on Method's own account or the account of another client of Method except with the Client's express prior consent to the specified terms of use of such Safe Custody Assets and provided that the use of the Safe Custody Assets is restricted to such specified terms.
- 1.50 The Client agrees and acknowledges that Method may deposit Safe Custody Assets and/or Client Money of the Client with third parties outside of the United Kingdom, and that in such case, additional settlement, legal or regulatory requirements may apply.
- 1.51 [The Client agrees and acknowledges that Safe Custody Assets and/or Client Money of the Client may be pooled with assets and/or money of other clients of Method from time to time and that any shortfall in Safe Custody Assets and/or Client Money may be shared *pro rata* among all such clients].
- 1.52 The Client agrees and acknowledges that where any Safe Custody Assets or Client Money of the Client are held by Method on a right to use basis, and Method exercises such right, or where the Client transfers full ownership of the Safe Custody Assets or Client Money to Method under collateral arrangements agreed between Method and the Client, the Custody Rules and/or the Client Money Rules will not apply to such Safe Custody Assets or Client Money as applicable.
- 1.53 Subject to the requirements of the Client Money Rules, the Client agrees that Method may make use of the exemption under CASS 7.11.14 R whereby money need not be treated as Client Money in



respect of a delivery versus payment transaction through a Commercial Settlement System if:

- a) in respect of the Client's purchase Method intends for the money from the Client to be due to it within one Business Day following Method's fulfilment of its delivery obligation to the Client; or
- b) in respect of the Client's sale, Method intends for the money in question to be due to the Client within one Business Day following the Client's fulfilment of its delivery obligation to Method.

1.54 Subject to the requirements of the Client Money Rules, the Client agrees that Method may transfer any Client Money held by Method to another person where the Client Money relates to the business being transferred. Method will procure that the sums transferred will be held by the person to whom they are transferred in accordance with the Client Money Rules or if that is not the case Method will exercise all due skill, care and diligence in assessing whether the person to whom the Client Money is transferred will apply adequate measures to protect these sums. Method shall procure that any sums transferred pursuant to this Clause are transferred on terms which require the other person to return transferred sums to the Client as soon as practicable the Client's request. Any sums transferred pursuant to this Clause will cease to be Client Money for Method.

SETTLEMENT

- 1.55 The Client shall make all payments due in respect of any Transaction in a timely manner on or before the contract settlement date.
- 1.56 Method shall not be required to settle any Transaction unless Method or any agent of Method has received all necessary cash, investments and/or documents required to be delivered by or on behalf of the Client.
- 1.57 The Client shall notify Method of all relevant details required for the settlement of any Transaction and shall provide Method with instructions regarding its settlement agent. The Client will procure that the settlement agent provides such information and enters into such other documentation as may be necessary to ensure the clearing and settlement of such Transactions take effect in a timely manner and otherwise without liability to Method.

ANTI-MONEY LAUNDERING

- 1.58 Where the Client acts as agent, the Client represents and warrants to Method that it has and will at all times during the term of this Agreement comply with all Applicable Laws relating to money



laundrying regarding the identification of its client unless Method elects to deal with the Client on the basis set out in clause 15.2. In order to comply with obligations in the Money Laundering Regulations 2017 (the “MLRs” as amended or replaced from time to time), Method is permitted to rely on the Client, and the Client shall undertake to Method, to apply any or all of the measures required to comply with the MLRs, including (without limitation) conducting the necessary customer due diligence in respect of each party for whom the Client acts as agent. If the Client fails to provide satisfactory evidence of identity to Method within a reasonable time following a request from Method for such evidence, Method may elect to immediately terminate this Agreement and Method will not be liable to the Client in respect of the performance of this Agreement or otherwise.

- 1.59 If the Client is a regulated credit or financial institution in the EEA, or a regulated financial sector firm from a member of the Financial Action Task Force, Method may deal with the Client on the basis that the Client is complying with EU regulations concerning money laundering and that sufficient evidence of identification of any counterparty has been obtained and recorded by the Client in accordance with its money laundering procedures.

CAPACITY OF METHOD and THE CLIENT

- 1.60 Method may act as principal, as agent for an Affiliate or a third party (including any underlying client of Method) or as an arranger for or introducer to an Affiliate or a third party in relation to any Transaction entered into under this Agreement.

- 1.61 Method shall notify the Client of the capacity in which Method acts and provide to the Client the name and address of the relevant Affiliate or third party.

- 1.62 Unless Method is informed otherwise, the Client is acting as principal and the Client will accordingly be liable to the Firm for all obligations hereunder. Where the Client is acting as agent for a third party, the Client and not the third party shall be the Firm’s client, unless the Client otherwise notifies Method and Method expressly agrees. At the Method’s discretion it may decide whether to effect any transaction with the Client as principal, as agent, or partly as principal and partly as agent.

- 1.63 Systematic Internaliser

Currently Method is not acting as Systematic Internaliser, should we become an approved Systematic Internaliser for a financial instrument, Method will be required to make public quotes in respect of such financial instrument (including, without limitation, in response to requests for quotes from the Client) in accordance with Applicable Laws. Information regarding access to such



quotes, the method of publishing such quotes, the conditions under which Method will enter into transactions pursuant to such quotes, and other relevant information regarding the Method's status as a systematic internaliser, shall be set out in the Method's commercial policy. Method's commercial policy may be requested on the Firm's website at method.inv.com, or provided to the Client through such other means in accordance with Applicable Laws.

Where Method is acting as a Systematic Internaliser, Method may limit the number of trades or transactions in that financial instrument that the Firm undertakes with the Client and/or the total number of trade or transactions that Method may enter into in aggregate with the Client on the basis of such published quote where it exceeds Method's internal risk limits or where the number and / or volume of orders sought by the Client and other clients considerably exceeds the norm.

DELEGATION

Method shall be entitled to delegate the performance of any of the Services to any Affiliate or third party delegate or agent provided that Method exercises reasonable care and skill in the selection and monitoring of such Affiliate, delegate and/or agent.

DEFAULT AND TERMINATION

- 1.64 This Agreement may be terminated immediately by Method on notice to the Client in the event that:
- a) the Client commits any material breach of this Agreement and, if the breach is capable of being remedied, fails to remedy such breach within 7 days of receipt of notice from Method; or
 - b) the Client commits any material breach of any Additional Agreement and, if the breach is capable of being remedied, fails to remedy such breach within 7 days of receipt of notice from Method; or
 - c) the Client fails to make or procure the payment of any amounts due and payable under this Agreement; or
 - d) the Client enters into liquidation whether compulsorily or voluntarily or enters into any composition with its creditors generally; or
 - e) the Client has an administrator, an administrative receiver, a receiver, a trustee, a liquidator or other similar official appointed over all (or substantially all) of its



undertakings and assets; or

- f) the Client has presented to it a petition for or has an order made in respect of it or passes a resolution or is the subject of analogous proceedings for bankruptcy or is the subject of a notice issued for convening a meeting for the purpose of passing any such resolution; or
- g) any representation or warranty made or given pursuant to this Agreement proves to be incorrect or misleading at the time it was made or given or deemed to have been made or given.

1.65 In the event that any of the events set out in clause 19.1 occur in relation to the Client, in addition to the rights set out in clause 19.1, Method may, subject to compliance with Applicable Laws:

- a) treat any or all Transactions then outstanding as having been repudiated by the Client, in which event Method's obligations under such Transactions shall thereupon be cancelled and terminated;
- b) to sell such Investments as are in the possession of Method as Method may in its absolute discretion think fit in order to realise sufficient funds to cover any amount due under this Agreement;
- c) to replace or reverse or close-out any Transaction (or part thereof), buy, sell, borrow or lend or enter into any other Transaction or take, or refrain from taking, such other action at such time or times and price and in such manner as, in its sole discretion, Method considers necessary or appropriate to cover, reduce or eliminate its loss or liability under or in respect of this Agreement;
- d) convert any funds at such rate and into such currencies as it may reasonably consider appropriate at the relevant time for the purposes of exercising the powers conferred by this clause 19.2.

1.66 Subject to clause 19.1, this Agreement may be terminated with immediate effect at any time by either party giving 2 days' notice in writing to the other.

EFFECT OF TERMINATION

1.67 The termination of this Agreement (howsoever arising) shall:

- a) unless otherwise agreed, be without prejudice to the completion of Transactions initiated



by Method on behalf of the Client prior to such termination;

- b) not affect the continuing rights of the parties under this Agreement or such of the parties' obligations under this Agreement as are expressed to survive such termination or any other provision of this Agreement which is required to give effect to such termination; and
- c) be without prejudice to:
 - (a) any accrued rights and obligations under this Agreement as at the time of such termination; and
 - (b) any right of action by either party in respect of any breach of this Agreement by the other party (whether such breach occurs prior to or subsequent to such termination).

1.68 The parties shall co-operate with each other to ensure that Transactions in progress at the termination date of this Agreement shall be completed by Method in accordance with the terms of such Transactions.

RISK WARNINGS

1.69 The items that Method is obliged to deliver include a general description of the nature and risks of the Financial Instruments, to be given sufficiently in advance of the provision of certain Services and/or Products

1.70 The Client should ensure to understand the risks associated with any investment, including, but not limited to, interest rate risk, price risk, liquidity risk, redemption risk, and credit risk and utilise the appropriate tools to analyse that investment before proceeding.

1.71 The Client should not enter into a Transaction unless understands, and has sufficient financial resources to bear, the price, market, liquidity, structure, redemption, and other risks associated with it.

1.72 Method may enter into Transactions with the Client in non-readily realisable investments, including, without limitation, in investments such as emerging market investments, products below investment grade, defaulted issues, trade finance and loan products, warrants, derivatives, stock lending and securities subject to stabilisation, whether on exchange or OTC and whether listed on an exchange or not. The Client accepts that will make its own research and that Method is under no



obligation to inform the Client of the circumstances of any particular investment or product. These are investments in which the market is limited or could become so. There may be wide bid/offer spreads: the Client may have difficulty selling these investments at a reasonable price, and, in some circumstances, it may be difficult to sell at any price. Method is under no obligation to buy them back or make a market in them. The Client should only invest in these investments if has fully investigated and understood the risks.

- 1.73 For further information regarding the risks associated with certain financial products or services, please see Schedule 3

COMPLAINTS AND COMPENSATION

- 1.74 All complaints which the Client may have regarding the Services provided by Method pursuant to this Agreement should, in the first instance, be made in writing to Method's Compliance Officer at Method's address set out in clause 22.2 or at such other address as Method may specify from time to time.
- 1.75 As a Professional Client, you may not have rights under the FCA or Independent Financial Ombudsman Service ("FOS Ltd") complaint process. However, if you have a complaint you should write to the Compliance Officer at 40 New Bond Street, London, W1S 2RX, England. Alternatively you may contact the compliance department by phone, 44 02034302100, or email compliance@methodinv.com. Our compliance department will acknowledge and investigate your complaint and report back to you. A copy of our procedures will be sent to you with our acknowledgement letter, but you may request a copy at any time. If you are an eligible complainant (according to the FCA definition) and after we have dealt with your complaint you remain dissatisfied, you may have the right to complain to FOS. Further information can be obtained by writing to FOS at South Quay Plaza, 183 Marsh Wall, London, E14 9SR or by email at enquiries@financialombudsman.org.uk
- 1.76 An Eligible Counterparty has no rights under the Financial Ombudsman.
- 1.77 The Client may request a statement describing the Client's rights to compensation in the event of Method's inability to meet any liabilities of the Client.

INDEMNITIES AND LIABILITIES

- 1.78 The Client shall indemnify and keep indemnified Method and keep it harmless against all damages, losses, liabilities, actions, proceedings, costs, claims, demands or expenses (including any legal costs



and any other reasonable expenses) incurred or suffered by Method arising out of the proper performance of its duties under this Agreement, save to the extent that such damages, losses, liabilities, actions, proceedings, costs, claims, demands or expenses arise by reason of:

- a) any material breach by Method of its duties or obligations under this Agreement;
- b) the gross negligence, wilful default or fraud of Method or any of its directors, officers, employees or agents; or
- c) any breach of any duties or obligations of Method under the FCA Rules.

1.79 Method shall not be liable to the Client for any costs, losses, damages, liabilities or expenses whatsoever which may be suffered or incurred by the Client in connection with any Transaction or this Agreement unless and to the extent that such costs, losses, damages, liabilities or expenses arose directly from the wilful default, fraud or gross negligence of Method.

1.80 The Client acknowledges that Method shall not be liable for:

- a) any taxation payable in relation to any Transaction or the taxation consequences thereof;
- b) any losses resulting from market movements; or
- c) any indirect or consequential losses.

1.81 Nothing within this Agreement will exclude or restrict any duty or liability of Method to the Client under the Regulatory System.

CONFIDENTIALITY

1.82 Except in the proper performance of Method's duties under this Agreement (including such necessary disclosure to any person to whom Method has properly delegated any of its functions, powers, authorities, duties and discretions under this Agreement), neither party hereto shall, either during the continuance of this Agreement or after its termination, use or disclose to any person any information relating to the business, assets, finance or other affairs of a confidential nature of the other party and each party shall use its reasonable endeavours to prevent any such disclosure as aforesaid provided that nothing within this clause shall prevent a party disclosing confidential information:

- a) with the prior written authority of the other party;



- b) where required by any Applicable Laws or by the rules of any regulatory body applicable to Method from time to time;
- c) to the extent that such information becomes known to a substantial proportion of the public other than through a breach of this Agreement; or
- d) where ordered to do so by a court of competent jurisdiction.

1.83 The Client agrees and acknowledges that Method records and monitors telephone calls and any other communications without providing the Client with any further warning or notification. All such records will be available on reasonable request for a period of five years, and, where requested by the FCA, for a period of up to seven years.

NOTICES

1.84 For the avoidance of doubt and without prejudice to clause 19, any notice required to be given under or in connection with this Agreement shall be in writing, in English language and shall be deemed to be duly given if delivered by hand or sent by first class pre-paid post or by facsimile transmission by the party giving such notice to the other party at the following address and/or number (or such other address and/or number and/or marked for the attention of such other person as shall be notified by a party to the other party from time to time) and shall be served by hand or by being sent by prepaid first class post:

- a) in the case of Method, to:

Method Investments & Advisory Ltd
40 New Bond Street London W1S 2RX
Fax: 0044 (0)20 3430 2101
Attention: Compliance Department
compliance@methodinv.com

- b) in the case of the Client, as set out in Schedule 2.

1.85 A communication shall be deemed to have been given or served if:

- a) delivered by hand, at the time of delivery;
- b) delivered by email/website as set out in Schedule 2.



- c) posted, 48 hours after it was put into the post; or
- d) sent by facsimile transmission, upon the receipt of the appropriate confirmation at the end of such transmission;

provided that, if:

- (a) in the case of delivery by hand or transmission by facsimile, such delivery or receipt occurs on a day which is not a Business Day or after 4.00pm on a Business Day; or
- (b) in the case of delivery by post, a period of 48 hours after despatch would expire on a day which is not a Business Day or after 4.00pm on a Business Day,

then service shall be deemed to occur on the next following Business Day. In proving such service by post, it shall be sufficient to prove that the relevant notice was properly addressed and posted as a first class pre-paid letter. In proving effective transmission, it shall be sufficient to prove that the facsimile containing the relevant communication was sent to the appropriate number and the appropriate confirmation received at the end of such transmission in respect of the number of pages comprised in such notice.

FORCE MAJEURE

Method shall not be liable for any failure to perform, or delay in performing, any of its obligations under this Agreement if the failure or delay is due to any cause beyond its reasonable control that does not relate to its fault or negligence, and it shall be entitled to a reasonable extension of the time for performing the obligations as a result of the cause.

ASSIGNMENT

The rights and obligations conferred by this Agreement shall not be assignable by either party except with the prior written consent of the other party [provided that Method may assign this Agreement to any entities associated with it].

AMENDMENT

This Agreement shall not be amended unless such amendment is expressly agreed in writing by each of the parties. Notwithstanding the foregoing, Method may amend the terms of this Agreement at



any time where such change is required by a tax or regulatory authority, or by reason of any change to Applicable Laws. Method will in normal circumstances give the Client a minimum of 7 days' prior notice in writing of our intention to do so, but in exceptional circumstances Method may make a change to this Agreement without telling the Client beforehand. Where the Client is not given prior notice of a change to this Agreement, Method will let the Client know about it as soon as possible after it has been made.

DATA PROTECTION

- 1.86 Method and the Client undertake to comply with the provisions of the Data Protection Act 2018 and any other applicable data protection legislation which is in force from time to time (together, for the purposes of this clause 29, the “Act”).
- 1.87 The Client warrants that any Personal Data which the Client supplies to Method or is supplied to Method on the Client's behalf has been lawfully obtained and supplied in accordance with the Act.
- 1.88 Method shall only obtain Personal Data from the Client as is necessary for the proper performance of the Services and shall not use any Personal Data for any other purpose, or disclose Personal Data to any third party, unless required to do so by law.

ENTIRE AGREEMENT

- 1.89 This Agreement contains the whole agreement between the parties in respect of the subject matter hereof, and save as provided herein there is no agreement or arrangement between the parties concerning the subject matter hereof and this Agreement supersedes all proposals and previous arrangements relating to the subject matter of this Agreement.
- 1.90 Nothing in this Agreement will exclude liability for fraudulent misrepresentation.

INVALIDITY

In the event of one or more provisions of this Agreement being invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

COSTS

Each of the parties shall be responsible for its own legal expenses and other costs and expenses in connection with the preparation and negotiation of this Agreement.



WAIVER

No failure or delay on the part of a party to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof nor shall any single or partial exercise of such right or remedy preclude the further exercise of any right or remedy as the case may be. The rights and remedies provided in this Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

THIRD PARTY RIGHTS

Save as expressly stated in this Agreement, nothing in this Agreement shall confer any rights or obligations on any person who is not a party to it and the parties expressly agree for the purposes of the Contracts (Rights of Third Parties) Act 1999 that, save as aforesaid and save for any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999, they do not intend any person other than the parties to this Agreement to be able to enforce any terms of this Agreement.

GOVERNING LAW

This Agreement and the rights and obligations of the parties under it shall be governed by and construed in accordance with the law of England and Wales and the parties submit to the exclusive jurisdiction of the English courts.



SCHEDULE 1

EXECUTION POLICY

Introduction

The Financial Conduct Authority requires a firm which provides order execution services to comply with the obligation to act in accordance with the best interests of its clients when placing orders with other entities for execution that result from the decisions by the firm to deal in financial instruments on behalf of its client. The rules on Best Execution are contained within the FCA's Conduct of Business Sourcebook ("COBS") and implemented by the requirements of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II").

This document is applicable to the financial instruments listed in ANNEX 1.

As part of the obligation Method has in respect of Best Execution, Method is required to provide clients with this Disclosure Statement. This sets out an overview of the policy that Method has in place in order to ensure that Method obtains the best possible results for our clients.

Best execution requires Method to take all sufficient steps to obtain the best possible result when executing, placing or transmitting client orders on behalf of a client or when dealing on an RFQ basis ("best execution").

Best execution will be applicable if the client satisfies all the conditions outlined below

✓ Professional Clients

The firm has a regulatory duty to provide best execution to clients classified as "Professional" (this includes both Per Se Professionals and Elective Professionals), when their order or RFQ relates to a MiFID II financial instrument (as per Annex I) and the firm is executing on behalf of the client.

The firm is not obliged to comply with the best execution obligations for clients classified as an "Eligible Counterparty". The firm is not permitted to deal with "Retail Clients" and accordingly this policy is not applicable to such person(s).

✓ Legitimate Reliance

The firm shall provide best execution where it deems that the client is placing legitimate reliance on the firm to protect their best interests in relation to pricing and other elements of an order placed with the firm.

In order to determine legitimate reliance, the firm will assess the following factors:



1. Which party initiates the transaction (if the client initiates a transaction the firm will view this to mean that the client is less likely to place reliance on the firm.)
2. Questions of market practice and the existence of a convention to “shop around”

Based on the above factors, if the firm determines that the client is not legitimately relying on the firm then best execution will not apply.

Examples of Legitimate Reliance

Circumstances in which a client will be viewed as placing legitimate reliance on the firm may include (but are not limited to):

- Where the firm is given discretion on how and when to execute the client’s order either on an agency, matched principal or principal basis;
- Where the firm attempts to find the opposite side of the client’s trades on a matched principal or agency basis and therefore elects not to execute on a risk basis; and/or
- Other circumstances where the client has a lack of client choice over where to execute a transaction due to the complexity or nature of the order and therefore the client is unable to seek alternative quotes.

Acting on Behalf of a Client

For the purposes of this document, a client order is a verbal or electronic agreement to execute a transaction on behalf of a client in any of the financial instruments listed in Annex I.

The firm will be executing an order on behalf of a client in the following cases, including but not limited to, when:

- ✓ dealing as agent for a client on an execution venue;
- ✓ executing or acting as principal and the client legitimately places reliance on the firm; or
- ✓ executing an order as a matched principal.

Request for Quotes (RFQs)

For RFQ business, best execution will be owed where the client is legitimately relying upon the firm to act on their behalf and protect their interests in relation to the pricing and other elements of the transaction



Specific Instructions from Clients

Clients should be aware that the provision of specific instructions may, in certain circumstances, prevent the firm from taking sufficient steps to obtain the best possible result.

Where the client gives a specific instruction as to how to execute a transaction, **best execution will not apply**. Method will need to carry out those specific instructions to the extent it is possible to do so. In such circumstances, Method will be deemed to have satisfied its obligations to take all sufficient steps to obtain the best possible result for the client.

Execution Factors

Subject to any specific instructions given by the Client, when placing orders on its behalf Method will take all sufficient steps to obtain the best possible result for the Client by taking into account the following execution factors: price; costs; speed; likelihood of execution and settlement; size; nature; any other relevant consideration.

Annex II outlines the priority of execution factors and top execution venues per asset class.

In the majority of cases Method would typically expect that the most significant issue to be taken into account will be the total consideration to be paid or received in each case such that there will be greater weight on the price and costs associated with each trade. However, there will be occasions when other factors may be more important or relevant and, Method may use its judgement and experience to give greater prominence to such factors.

It is the general policy of the firm that the most important execution factor **for a Professional client** is the price at which the relevant financial instrument is executed. However, there may be circumstances where the primary execution factors may vary and price is no longer the most prominent execution factor; for example, for orders in illiquid securities market impact may become more important.

The order of relative priority and the variety of criteria that are taken into account in determining the appropriate consideration will then be made based on a transaction-by-transaction basis.

Method does not charge any commission for itself in respect of executing transactions under its discretionary investment management activities when providing this service.

The relative importance of each of the execution factors will be determined by reference to the following characteristics:

- the client



- the client order
- the financial instruments that are the subject of that order
- the execution venues to which that order can be directed

To the extent that Method has been specifically directed by the Client to use a particular broker or execution venue, Method is not required to take the steps mentioned above.

For certain Markets/Instruments it is possible for the firm to choose only one venue where the firm has reason to believe and can demonstrate that one venue only will provide the best possible result for the Client.

Orders may be executed on exchange and off exchange.

When Method receives an order from an investment firm acting on behalf of its own clients, Method will treat the investment firm (client of Method) as its own client for the purpose of the order execution policy to the exclusion of the underlying client.

Service of Order Execution

➤ Execution on Venues

Method's policy includes details of the various execution venues that Method will use when placing orders:

The firm may use one or more of the following venue types when executing client order(s):

- Systematic Internalisers ("SIs");
- The firm's trading desks' principal positions;
- Organised Trading Facilities ("OTF") / Multilateral Trading Facility ("MTF");
- Regulated Markets ("RMs");
- Other exchanges that are not RMs;

On an annual basis, the firm makes available on its website, at methodinv.com details of its top 5 execution venues on which the orders are placed to obtain the best result for the client, in respect of each



class of instruments.

➤ **Internalisation**

Under MiFID II, the firm may choose to “internalise” a client’s order by executing the order as principal against the firm’s book.

Transmission of orders (client orders routed)

Where Method is not a member of a trading venues where client orders need to be routed for execution Method will need to transmit orders to other firms for execution alongside its execution activity as member of trading venues. It may then elect to use a broker instead of directly executing orders on an execution venue to minimise market impact and achieve a better outcome for the client.

Method’s policy includes details of the various brokers that Method will use when placing orders with other entities for execution. These details primarily consist of brokers that Method will use in respect of the various different instruments in which Method may trade.

In certain circumstances, Method may deal directly with a market maker rather than with a broker who is acting on an agency basis. For example, this would include situations where Method makes use of Direct Market Access systems or is dealing with an investment bank that is acting in a principal capacity as a market maker. Method may also trade outside of a regulated market or multilateral trading facility from time to time.

On an annual basis, the firm makes available on its website, at methodinv.com details of its top 5 execution brokers on which the orders are placed to obtain the best result for the client, in respect of each class of instruments

Order Handling

The firm will satisfy the following conditions when carrying out client orders:

- a. ensure that orders executed on behalf of the client are promptly and accurately recorded and allocated.
- b. carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable or the interests of the client requires otherwise.

Confirmations

When acting on behalf of a client, the firm will provide the client the essential information concerning the execution of an order and a confirmation on the execution of that order.



Client consent

Method is required to obtain the prior consent of the Client to the execution policy. In addition, since Method may also trade outside a regulated market or multilateral trading facility in respect of instruments admitted to trading by those means, Method is also required to obtain the Client's prior express consent to this.

The required consents will be obtained by requiring the Client to sign and return a copy of Schedule 2.

Monitoring and Review

Method will monitor on a regular basis the effectiveness of the policy and, in particular, the execution quality of the entities identified in that policy. Where the monitoring reveals the need for any changes or enhancements to be made, these will be implemented as appropriate.

Method will review the execution policy on an annual basis and also whenever a material change occurs that affects Method's ability to continue to obtain the best possible result for the Client.

Execution Policy Reports As for Directive 2014/65/EU in financial instruments (MiFID II) Method will summarise and make public on an annual basis, for each class of financial instruments (referred to in Annex I.) the top five execution venues and the top five executing brokers in terms of trading volumes where executing client orders in the preceding year and information on the quality of execution obtained and assessment of quality of execution obtained on all venues used by Method.

Above reports will be published by Method on Method websites in an electronic format.



EXECUTION POLICY - Annex I – MiFID II Financial Instruments

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Annex I and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;



EXECUTION POLICY - Annex II – Priority of Execution Factors and Top Execution Values Per Asset

Class

- **EQUITY AND EQUITY-LIKE DERIVATIVES, LISTED DERIVATIVES**

1. Price
2. Size
3. Likelihood of execution
4. Costs
5. Speed
6. Other considerations

- **BONDS (LIQUID MARKET)**

1. Price
2. Speed
3. Size
4. Likelihood of execution
5. Costs
6. Other considerations



SCHEDULE 2 - CONSENT FORM

CLIENT DETAILS	
Company Name	
Address	
<i>Address for notices (if different from above)</i>	
Telephone	
Contact	
FAX	
Legal Entity Identifier (LEI)	
Is the Legal Entity Regulated?	
If you answered YES above, please indicate below who you are regulated by and in which Country	
Regulator	
Country	
IS the Legal Entity a MIFID2 Firm?	
MIFID2 CONSENTS	
<input type="checkbox"/> I/We give consent to Method executing on my/our behalf any orders outside a Regulated Market an MTF or OTF;	
<input type="checkbox"/> I/We give consent to Method's Execution Policy as described in Schedule 1;	
<input type="checkbox"/> I/We give instructions to Method not to make public Limit Orders in respect of shares admitted to trading on a Regulated Market which are not immediately executed under prevailing market conditions.	
<input type="checkbox"/> I/we give consent to Provision of information via email: Method Investments & Advisory LTD may be required from time to time, to provide the Client with certain information in a "durable medium", pursuant to applicable regulation (e.g., information on costs and charges or on our order execution policy). The Client specifically consent to the provision by Method of such information via email and to the email below indicated:	
Please indicate the email address to use for such provision:	
<input type="checkbox"/> I/we give consent to Provision of information via a website: Method Investments & Advisory LTD may be required from time to time, to provide the Client with certain information in a "durable medium", pursuant to applicable regulation (e.g., information on costs and charges or on our order execution policy). You specifically consent to the provision by us of such information through a website (where permitted by applicable regulation) and in a way that may or may not be personally addressed to you.	

I/we hereby certify that I am/we are duly authorised by the Client to enter into this Agreement on behalf of the Client.

Signed

Print full name

For and on behalf of

Position

Date



SCHEDULE 3: RISKS

Risks

1. General

- 1.1 This Appendix sets out a non-exhaustive list of risks which may be associated with particular kinds of investment. This Appendix does not set out all risks arising in relation to all investments and services we may offer, and should not be relied upon as doing so. The risks applicable to any particular investment or service will depend on your particular circumstances (including your risk attitude and your ability to sustain financial losses) and the terms of the relevant transaction. You should not deal in any investment unless you understand the nature of the product you are dealing in (or contract you are entering into), the extent of your exposure to risk, and unless you are satisfied that the product is appropriate for you. You should consider carefully whether or not any product is suitable for you in light of your circumstances and financial position and, if in any doubt, seek professional advice.
- 1.2 All financial products (including low risk investment strategies) carry a degree of risk and contain an element of uncertainty. Prices may fluctuate and, depending on the instrument you are dealing with, there is a risk you may lose some or all of your investment. The types of risk that might be of concern will depend on various matters, including how the instrument is structured. The specific risks of a particular product will depend upon its terms and the circumstances of the relevant parties involved.
- 1.3 The nature and extent of investment risks varies with, amongst other things, the type of investment, the location or domicile of the issuer, the diversification or concentration in a portfolio, the complexity of the transaction and/or the use of leverage. The price or value of an investment will depend on fluctuations in the financial markets and current performance; past performance, stimulated performance or forecast performance are no indicators of future performance.
- 1.4 Types of risk that may have an impact on your investment include (without limitation) liquidity risk, insolvency risk (including bail-in risk), market risk¹ (including volatility risk, interest rate risk and currency risk), credit risk, settlement risk, operational risk, business risk, tax risk, regulatory risk, legal risk (including barriers to or restrictions on divestment), risks relating to leverage and margin requirements, risks inherent in “over-the-counter trading” and/or risks as a result of you assuming additional obligations in relation to the investment, including contingent liabilities. These risks may occur simultaneously and may have an unpredictable effect on the value of your investment. The types of risk outlined in this Appendix are not an exhaustive list of the risks which may occur in relation to investments and you should consider any and all additional material provided to you in connection with your investment when assessing your risk exposure.
- 1.5 Risks arising generally in relation to investments include:
 - 1.5.1 Risk relating to market conditions: the price of an investment and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each investment differently.
 - 1.5.2 Disinvestment risk: investments may be affected by impediments to disinvestment, (e.g. investments may prove illiquid or difficult to sell and/or may be difficult to sell at a price equal to or greater than the transaction price at the point in time that you wish to sell).

¹ Market risk includes both general and specific risks. The former, in turn, refers to broad market conditions, whereas the latter is related to issuer-specific matters.



2. Bonds²

- 2.1 Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt, as well as the terms and conditions of repayment, are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration (this includes zero-coupon bonds, whose return depends on the difference between its issue/purchase price and its redemption value) or (ii) variable and often linked to reference rates (e.g. LIBOR). The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).
- 2.2 Investments in bonds may involve risks including, but not limited to, the following:
- 2.2.1 **Insolvency risk:** the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more of a range of factors, including the issuing company, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.
- 2.2.2 **Interest rate risk:** uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. Interest rates, in turn, may fluctuate for general market reasons and/or for issuer-specific conditions. Bonds' price sensitivity to interest rate shocks is measured by its duration.
- 2.2.3 **Credit risk:** the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the relative rate of interest (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure), the higher the perceived credit risk of the issuer.
- 2.2.4 **Early redemption risk:** the issuer of a bond may include a provision allowing early redemption of the bond under specific market conditions. Such early redemption may result in a change to the expected yield.
- 2.2.5 **Risks specific to bonds redeemable by drawing:** bonds redeemable by drawing have a maturity that is difficult to determine, so unexpected changes in the yield on these bonds may occur.
- 2.2.6 **Risks specific to certain types of bond:** additional risks may be associated with certain types of bond, for example floating rate notes, reverse floating rate notes, zero coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, certificates of deposit, asset-backed securities, covered bonds, sukuks, indexed bonds and subordinated bonds. For such bonds, you are advised to make enquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, you are advised to enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those bonds will only be redeemed after repayment of all higher-ranked creditors and, as such, there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely reimbursed, but will receive only an amount equivalent to the underlying securities at maturity.
- 2.2.7 **Tax call risk:** the issuer of the bond may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the bond is lower than anticipated.
- 2.2.8 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.

² The following is a non-exhaustive list of major instrument types together with a brief description of the major risks they might embed. In case of doubt, please seek professional advice.



- 2.2.9 **Currency risk:** if investments are denominated in a currency other than the investor's home currency, returns could be reduced (or losses incurred) due to currency fluctuations.

3. Shares

- 3.1 A share is an instrument representing a shareholder's rights in a company. Shares may be issued in bearer or registered form and may be certificated or noncertificated. One share represents a fraction of a corporation's share capital. Dividend payments and an increase in the value of the security are both possible, although not guaranteed. The shareholder has financial and ownership rights which are determined by law and the issuing company's articles of association. Unless otherwise provided, transfers of bearer shares do not entail any formalities. However, transfers of registered shares are often subject to limitations.
- 3.2 Dealing in shares may involve risks including, but not limited to, the following:
- 3.2.1 **Company risk:** a share purchaser does not lend cash to the company, but becomes a co-owner of the corporation. He or she thus participates in its development as well as in chances for profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out the total sums invested.
- 3.2.2 **Price risk:** share prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short, medium and long term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence share prices.
- 3.2.3 **Dividend risk:** the dividend per share mainly depends on the issuing company's earnings and on its dividend policy. In case of low profits or losses, for instance, dividend payments may be reduced or not made at all.
- 3.2.4 **Dilution risk:** in the absence of any restrictions in the articles of the company or other agreement, an issuer may issue more of its shares, thereby potentially reducing the value of the holding and putting downward pressure on the amount of dividend per share.
- 3.2.5 **Risks specific to certain types of share:** additional risks may be associated with certain types of share, for example preference shares, convertible preference shares and shares in real estate investment trusts. For such shares, you are advised to make enquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood.
- 3.2.6 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.
- 3.2.7 **Currency risk:** if investments are denominated in a currency other than the investor's home currency, returns could be reduced (or losses incurred) due to currency fluctuations.

4. Funds

- 4.1 Funds are collective investment vehicles which pool the funds of investors in order to make investments in accordance with the investment objectives of the fund. Funds can be either open-ended or closed-ended.
- 4.2 Investing in funds may involve risks including, but not limited to, the following:
- 4.2.1 **Liquidity risk:** Open-ended funds may not be able to liquidate their assets and return funds to



investors in the event that there is poor liquidity in the market generally or in the specific sector in which the fund invests. Ongoing costs to service those investments could lead to increased losses or reduced profits for investors in the fund. Closed-ended funds can be subject to risks of low trading and therefore provide limited liquidity, making it difficult for an investor to realise its investment.

- 4.2.2 **Interest rate risk:** the price of the assets pooled within a fund will be exposed to interest rate rises. This could reduce the returns investors receive or even lead to losses.
- 4.2.3 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.
- 4.2.4 **Currency risk:** if investments are denominated in a currency other than the investor's home currency, returns could be reduced (or losses incurred) due to currency fluctuations.
- 4.2.5 **Counterparty risk:** the insolvency of any institution providing services to the fund such as safekeeping of assets or acting as counterparty to the fund in derivative transactions or other instruments, may expose the fund to financial loss.
- 4.2.6 **Derivatives risk:** a fund may utilise instruments in the form of warrants, futures, options, forward contracts and swaps to seek to enhance investment returns. While this can potentially have the effect of enhancing the fund's performance, it can also be detrimental if there are losses on the derivatives.
- 4.2.7 **Operational risk:** an investment in a fund can involve operational risks arising from a wide range of possible operational errors, including system breakdowns, human error or external events and errors caused by service providers such as the investment manager, which may affect the value of the fund and (if applicable) its ability to pay redemptions within the scheduled timeframe.
- 4.2.8 **Limited diversification risk:** unless the fund is subject to investment restrictions and diversification requirements, the number and diversity of investments held by a fund may be limited.
- 4.2.9 **Restrictions on subscription:** an investor in the fund's units/shares may be prevented from subscribing and redeeming such units/shares, either at the official net asset value (for example, as a result of the imposition of any charges by the fund) or at all, or the prescribed notice period, timing cut-offs and minimum/maximum amounts in respect of subscriptions and redemptions for the fund's units/shares may be changed.
- 4.2.10 **Compulsory redemption risk:** the fund may compulsorily redeem the shares/units upon the occurrence of certain events (for example, if, following the insolvency of the investment manager, the fund becomes unable to fulfil its investment objectives).
- 4.2.11 **Performance risk:** no assurance can be given relating to the present or future performance of a fund and any underlying component in which the fund may invest, that any analytical model used by the fund will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investment in which a fund has invested or may invest will prove accurate.
- 4.2.12 **Changes to portfolio:** the composition of the fund's portfolio of investments may change from time to time. Such changes may have an impact on the value of the fund.
- 4.2.13 **Sub-fund segregation:** the sub-funds of the fund may be segregated as a matter of the law of the fund's home jurisdiction and, as such, the assets of one sub-fund will not be available to satisfy the liabilities of another sub-fund. However, the fund may operate or have assets held on its behalf or be subject to claims in other jurisdictions other than its home jurisdiction which may not necessarily recognise such segregation. There can be no guarantee that the courts of any jurisdiction outside its home jurisdiction will respect the above limitations on liability.



5. Securitised Derivatives

- 5.1 These instruments may give a time-limited or an absolute right to acquire or sell one or more types of investment, which are normally (but not necessarily) exercisable against someone other than the issuer of that investment. Alternatively, they may give you rights under a contract for differences which allow for speculation on fluctuation in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the “underlying investment”.
- 5.2 Transactions in securitised derivatives may expose you to the following specific risks:
- 5.2.1 **Leverage risk:** these instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.
- 5.2.2 **Loss of investment:** these instruments have a limited life, and may (unless there is some form of guaranteed return on the amount that you are investing in the product) expire worthless if the underlying instrument does not perform as expected.
- 5.2.3 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.
- 5.2.4 **Currency risk:** if investments are denominated in a currency other than the investor’s home currency, returns could be reduced (or losses incurred) due to currency fluctuations.
- 5.3 You should only buy this product if you are prepared to sustain a total or substantial loss of the money that you have invested plus any commission or other transaction charges.

6. Exchange-traded Derivatives

- 6.1 Exchange-traded derivatives are typically standardised futures or options contracts traded through an exchange or other recognised Trading Venue. Before entering into a transaction, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.
- 6.2 Transactions in exchange-traded derivatives may expose you to the following specific risks:
- 6.2.1 **Leverage risk:** a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. For instance, futures contracts are leveraged instruments as the amount of initial margin required is smaller relative to the potential gains or losses under the contracts.
- 6.2.2 **Margin risk:** a relatively small market movement will have a proportionately larger impact on the margin an investor has deposited or will have to deposit: this may work against the investor as well as for them. An investor may sustain a total loss of initial margin funds and any additional margin deposited with the firm to maintain their position. In practice, if the market moves against their position or margin levels are increased, the investor may be called upon to pay substantial additional collateral at short notice to cover losses incurred under the futures contracts and maintain their position. Failure to provide collateral may lead to the contracts being closed out, which could crystallise a loss position.
- 6.2.3 **Changes to exchange or clearing house rules:** though rarely, the terms and conditions of exchange-traded contracts (including the strike or forward price) may be modified by the exchange or clearing house to reflect changes or events in respect of the underlying asset or



otherwise.

- 6.2.4 **Option-related risks:** transactions in options may carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks and they should calculate the extent to which the value of the options needs to increase for their position to become profitable, taking into account the premium and all transactions costs. Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount (the loss can theoretically get unlimited).
- 6.2.5 **Market risk:** “stop loss” or “stop limit” orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders. Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If an investor has sold options, this may increase the risk of loss.
- 6.2.6 **Operational risk:** trading facilities utilise computer systems for the order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. An investor’s ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms.
- 6.2.7 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.
- 6.2.8 **Currency risk:** if investments are denominated in a currency other than the investor’s home currency, returns could be reduced (or losses incurred) due to currency fluctuations.

7. OTC Derivatives

- 7.1 A derivative is a contract entered into between parties for the exchange of payments calculated by reference to an underlying asset, rate or index. A derivative can be traded OTC or on an exchange. OTC derivatives may include options, forwards and swaps.
- 7.2 In general, OTC derivatives involve the following risks:
- 7.2.1 **Counterparty credit risk:** where the derivative transaction is uncleared and uncollateralised, the counterparties are exposed to the credit risk of the other party. The customer’s entire investment could be lost in the event of default by or the insolvency of its counterparty.
- 7.2.2 **Loss of investment:** there is a risk that the customer will pay an upfront amount, but never receive any benefit from the transaction. An example of this could be if an option purchased is not in-the-money at the time it can be exercised.
- 7.2.3 **Contingent liabilities:** derivative transactions such as credit default swaps or options may involve contingent liabilities. This can result in the customer incurring losses much greater than its original investment (if any) or premium received (in the case of sold options) should certain conditions be met, such as the occurrence of a credit event or an asset reaching a strike price.
- 7.2.4 **Unlimited loss:** losses under certain derivative transactions can theoretically be unlimited. In the context of an interest rate or currency swap, for as long as the interest or exchange rate continues to rise, so too will the customer’s loss if it is required to pay the variable rate under the transaction.
- 7.2.5 **Leverage risk:** derivative transactions may be entered into on a highly geared or leveraged basis. This may mean that even a relatively small movement in the value of the underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavourable or



- favourable, in the amount payable between the parties to the transaction.
- 7.2.6 Legal risk: if a counterparty goes into default and the derivative is terminated, the ability to recover value from the transaction is ordinarily dependent on netting gains against losses across different transactions and the value of the transactions against the value of the collateral. If the legal netting mechanism is not recognised in any jurisdiction, it may be that losses will be incurred.
- 7.2.7 Collateral risk: parties to derivatives contracts are often required to post collateral to mitigate their credit exposure to one another. If the market value moves against their position, the investor may be called upon to pay substantial additional collateral at short notice. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. There is no guarantee that collateral which is posted by the customer will be returned to the customer. Where collateral is held by a third party custodian, the return of such collateral is subject to the credit and operational risk of that custodian.
- 7.2.8 Basis risk: where a derivative transaction has been entered into to hedge price or other risks arising from ownership of a particular underlying, the performance of the derivative and the performance risk of the underlying may not be perfectly correlated, resulting in residual “basis” risk.
- 7.2.9 Operational risk: losses may occur due to the failures of processes and systems used in monitoring derivative transactions, including calculating and making payments or deliveries, exercising rights (such as options rights) before their expiry, monitoring lifecycle events and delivering notices in a timely manner. Such failures in third party systems may be subject to limitations on liability.
- 7.2.10 Delivery risk: if you have entered into a physically settled derivative, you may be obliged to take delivery of the relevant asset. In respect of commodities and natural resources, this may require significant operational resources to achieve.
- 7.2.11 Early termination: derivative transactions may be subject to early termination due to a voluntary or agreed early termination, “events of default” or “termination events” in relation to the customer or the provider (e.g. failure to pay, insolvency, force majeure, illegality, tax events) or extraordinary events relating to the underlying (e.g. merger nationalisation or delisting of an equity, market disruptions, cancellation of an index, disruptions in the ability of one or more parties to hedge the transaction). Such events (with the exception of voluntary or agreed early termination) may be outside the control of the customer and such termination may, depending on the value of the transaction at such time, result in a substantial payment due from the customer (even where the provider is in default or the termination arises from an external event). Customers may not be able to establish replacement transactions, or may incur significant costs in doing so, such as charges for early termination, even where such early termination is voluntary or agreed between us.
- 7.3 Liquidity risk: uncleared derivative contracts can be amended or transferred only pursuant to their express terms or by agreement of the parties. Where consent of the dealer to transfer or unwind an OTC derivative transaction is required, it may not provide such consent, for reasons which it is not obliged to disclose. In addition, there may not be another dealer who is willing to provide the same or a similar transaction. OTC derivative transactions on standardised terms (e.g. credit default swaps with set payment dates and maturity dates) will be more liquid than bespoke transactions. OTC derivative transactions may involve greater risk than investing in exchange traded derivatives, because there is no exchange market on which to close out an open position. It may therefore be impossible to liquidate an existing position, to assess the value of the position arising from an off-



exchange transaction or to assess the exposure to risk.

- 7.3.1 Risk of adjustments: the occurrence of certain events relating to the underlying of the derivative transaction may trigger the right of the calculation agent to make certain adjustments to the economic terms (e.g. market disruption events, stock splits, the payment of unexpected or extraordinary dividends, currency controls). Such adjustments may involve an element of discretion on the part of the calculation agent. Exposure to an underlying via a derivative may not correspond in all cases with exposure obtained by holding the underlying directly.
- 7.3.2 Clearing risk: cleared OTC derivatives are OTC derivatives which have been submitted to and accepted for clearing by a clearing house. Such cleared derivatives are subject to the rules of the clearing house, including collateral arrangements required by the clearing house. Therefore, participants may be required to post collateral at short notice to cover losses incurred under the cleared OTC derivative contracts. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. The terms and conditions of cleared OTC derivatives contracts (including the strike or forward price) may be modified by the clearing house without notice to reflect changes or events in respect of the underlying asset or other

