

CATEGORIZATION OF CLIENTS

Initial provisions

In relation to the effectiveness of the amendment to Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended (the "**Act**"), which implements the European Directive 2014/65/EU of 15 May 2014, on Markets in Financial Instruments and on Amendments of Directive 2002/92/EC and Directive 2011/61/EU ("**MIFID II**") into Czech law, WOOD & Company Financial Services, a.s. ("**WOOD & Company**") has introduced the following rules for categorization of clients provided with investment services.

Categories of clients under MIFID II

In compliance with MIFID II, the Act specifies the basic categories of clients. This concept aims to ensure an adequate level of protection for each category of clients. The Act distinguishes three basic categories of clients:

- client who is not a professional client (a "retail client")
- professional client
- professional client with a special status – an "eligible counterparty".

In the course of provision of its investment services, WOOD & Company is obliged to assign each client into one of the above categories and inform the client to this effect.

General rules for categorization of clients

When assigning the client into one of the above categories, WOOD & Company takes into account all information which is currently available. Please inform us immediately if the information is not up-to-date or in case of a material change which might affect the assignment to any relevant category. Please also inform us immediately if you believe that, in your case, the client categorization has not been correctly performed.

Any client which does not agree with its assignment to a specific category has the right to request that WOOD & Company verify the assumptions on which the assignment was based, or request a change of category, as specified below. A client may request a change of its category at any time during its contractual relationship with WOOD & Company.

Retail clients

The status of retail clients is assigned to persons which:

- do not meet the criteria for professional clients or eligible counterparties, or
- meet the criteria for professional clients or eligible counterparties, but were re-assigned to the category of retail clients in one of the ways specified below.

Retail clients are especially individuals and legal entities whose value of assets, equity capital or total annual net turnover is not high enough to allow for their assignment to the category of professional clients.

WOOD & Company provides retail clients with **the highest level of protection** in accordance with its statutory obligations, particularly as regards:

- providing information – retail clients are provided information and instructions within a far greater scope than the remaining two categories;

- requesting information from clients – WOOD & Company is obliged to verify in detail whether the investment services provided to retail clients are suitable and/or appropriate.

Possible change of category

A retail client may request that WOOD & Company re-assign it to the category of a professional client subject to compliance with the conditions stipulated in the Act. A retail client's request for re-assignment to the category of a professional client must contain in attachment a written acknowledgement stating that the requesting party is aware that a change of assignment may lead to a loss of its right for compensation under a foreign system similar in its purpose to the Securities Brokers' Guarantee Fund, and that WOOD & Company is not obliged to provide the "professional client on request" with the highest level of protection regarding trades in investment instruments and investment services.

WOOD & Company has no obligation to accommodate the client's request for re-assignment to a category with a lower level of protection, even if the client complies with the quantitative requirements stipulated in the Act.

Professional clients

The status of professional clients is assigned to:

- (i) banks; (ii) savings associations and credit cooperatives; (iii) securities brokers; (iv) insurance companies; (v) reinsurance companies; (vi) investment companies; (vii) investment funds; (viii) pensions companies; (ix) any other persons which conduct its business activities on the financial market under a permit granted by the authority in charge of supervision over the financial market or on the basis of a registration in a register by the authority in charge of supervision over the financial market, i.e. especially payment institutions, electronic money institutions, small-scale electronic money issuers, small-scale payment services providers, non-bank consumer loan providers, main administrators, investment brokers, insurance agents, insurance brokers, independent consumer loan brokers, independent insurance claims liquidators, operators of payment systems with irrevocable clearance, operators of settlement systems with irrevocable settlement, and central depositaries, however, with the exception of tied agents of investment brokers, tied agents under the Consumer Loans Act, tied agents of securities brokers, tied agents of pensions companies, tied insurance brokers, subordinate insurance brokers and exclusive insurance agents; (x) persons performing securitization as their main activity; (xi) persons trading on their own account in investment instruments for the purposes of reducing risk (hedging) of trades in investment instruments specified in Section 3 (1) (d) through (k) of the Act (derivatives), which activity is one of their main activities; (xii) persons trading on their own account in investment instruments specified in Section 3 (1) (g) through (i) of the Act (commodity derivatives) or commodities, which activity is one of their main activities; (xiii) legal entities authorised to manage state property in matters of purchase, sale or administration of receivables or other assets of the state, or restructuring of business companies or other legal entities, in which the state has an equity interest; (xiv) foreign entities conducting business activities similar to the above; (xv) states or member states of a federation; (xvi) the Czech National Bank, foreign central bank or the European Central Bank; (xvii) the World Bank, the International Monetary Fund, the European Investment Bank or any other international financial institution; (xviii) legal and foreign entities established for business purposes which, according to their last financial statements, meet at least 2 of the following 3 criteria: 1. their total assets amount to at least EUR 20,000,000; 2. their total annual net turnover amounts to at least EUR 40,000,000; 3. their equity capital amounts to at least EUR 2,000,000.

A client which requests to be treated as a professional client by WOOD & Company ("**professional client on request**") is also deemed to be a professional client, provided that WOOD & Company accommodates such request and that the client meets at least 2 of the following 3 criteria:

- in each of the last 4 consecutive calendar quarters, the client executed trades in the relevant investment instrument, to which the request is related, within significant scope and in the average of no less than 10 trades per calendar quarter, on the relevant European regulated market or within the relevant multilateral trading facility operated by an entity with its registered office in an EU member state;
- the client's assets consisting of money and investment instruments amount to at least EUR 500,000;
- the client carries out in the course of its employment, profession or office (or carried out for at least one year) activities on the financial market which require knowledge of the trades or services, to which the request is related.

In case of doubt whether a certain client meets the requirements necessary for its categorization as a professional client, the client will be categorized as a retail client. The client may then request to be re-categorized in accordance with the procedure specified below.

Level of protection

WOOD & Company provides professional clients with a **lower level of protection**, i.e. specifically:

- professional clients are not provided information and instructions within the same scope as the retail clients;
- for the purposes of requesting information from clients (investment questionnaire) in the course of provision of its investment services, WOOD & Company assumes that professional clients under this clause have sufficient expert knowledge and experience in the area of investments to make their own investment decisions and assess the risks undertaken in relation to investment services or trades in investment instruments, for which reason they were assigned to the category of professional clients, with the exception of professional clients on request.

Possible change of category

A professional client may request to be re-assigned to the category of an eligible counterparty subject to compliance with the conditions stipulated in the Act. Its request must clearly state to which trade or trades in investment instruments or to which investment services it is related. WOOD & Company has no obligation to accommodate the client's request to be re-assigned to that category.

A professional client may also request to be re-assigned to the category of a retail client, in respect of all or selected investment instruments or investment services. WOOD & Company is obliged to accommodate such request, provided that the change of category is requested by a client which was originally a retail client. Otherwise, WOOD & Company has no obligation to accommodate such request for a change of category.

Eligible counterparties

An eligible counterparty is a special category within the category of professional clients, which is only relevant for the purposes of the investment services of receiving and transmitting instructions regarding investment instruments, executing instructions regarding investment instruments on the client's account and trading in investment instruments on one's own account.

An eligible counterparty is also considered to be, subject to its express consent, an individual with its place of residence or legal entity with its registered office in any other EU member state, in relation to which (under the laws of the relevant member state) a foreign entity authorised to provide investment services (under the laws of the relevant member state) has no obligation, in the absence of its request, to perform obligations similar to obligations stipulated in Sections 15 through 15r of the Act, in the course of provision of main investment services. The consent must clearly state, to which trade or trades in investment instruments or to which investment services it is related.

Level of protection

WOOD & Company provides eligible counterparties with **the lowest level of protection**. WOOD & Company has no obligation to fulfil the obligations applicable to dealings with clients, as stipulated in Sections 15 through 15r of the Act, in relation to eligible counterparties. WOOD & Company therefore has no obligation to fulfil the obligations of e.g. communication with client, notification of client, requesting information from client, processing instructions, providing information about client's instructions and state of assets, etc. in relation to eligible counterparties.

WOOD & Company is obliged to act towards eligible counterparties, which are not subject to performance of the obligations applicable to dealings with clients stipulated in Sections 15 through 15r of the Act, in a professional, honest and fair manner and its communication with eligible counterparties must not contain any unclear, untrue, misleading or false information.

Possible change of category

In the course of provision of the investment services of receiving and transmitting instructions regarding investment instruments, executing instructions regarding investment instruments on the client's account and trading in investment instruments on one's own account, WOOD & Company is obliged to fulfil the obligations stipulated in Sections 15 through 15r of the Act, if the eligible counterparty so requests.

A client assigned to the category of an eligible counterparty may request to be provided a higher level of protection upon re-assignment to the category of a professional client or retail client for individual trades, individual categories of investment instruments or all categories of investment instruments or investment services.

WOOD & Company is obliged to accommodate such request, provided that the change of category is requested by a client which was originally assigned to a category with a higher level of protection. Otherwise, WOOD & Company has no obligation to accommodate the request for a change of category.