

Based on the provisions of Article 100 of the Capital Market Act (Official Gazette No. 65/18, 17/20, 83/21, and 151/22, hereinafter: CMA), the Management Board of the investment company HITAVRIJEDNOSNICE d.d. (hereinafter: Investment Company)

on December 27th, 2022, adopts:

## **REGULATION ON CLIENT CLASSIFICATION**

### **Article 1**

This Regulation on Client Classification (hereinafter: Regulation) sets out the individual categories of clients, the level of protection and the scope of rights granted to each category when providing investment services and activities, and the procedures for transitioning between different categories.

### **Article 2**

The Investment Company classifies its clients as retail investors and professional investors, based on their knowledge, experience, financial situation, and investment objectives.

A retail investor is a client of the Investment Company who, under the provisions of the Capital Market Act (CMA) and this Regulation, does not meet the criteria for a professional investor.

A professional investor is a client who has sufficient experience, knowledge, and expertise to make independent investment decisions and properly assess the associated risks.

A qualified counterparty is defined by the criteria in Article 8 of this Regulation.

### **Article 3**

The Investment Company provides retail investors with the highest possible level of protection and other rights guaranteed to them by the CMA and subordinate regulations on the conduct of investment companies in the best interest of the Client and fair and professional conduct in providing investment services and performing investment activities.

The protection provided to clients categorized as retail investors primarily concerns executing orders under the most favorable conditions for the client, protecting the Client's interests, and the rights afforded by the Investor Compensation Scheme.

The Investment Company must provide retail investors with comprehensive information before and after providing investment services and performing investment activities.

### **Article 4**

Retail investors may request to be treated as professional investors for all or only some services or transactions, or for specific products or transaction types.

The Investment Company may treat retail investors as professional investors if it assesses that the client, depending on the type of transaction or service, has sufficient knowledge, experience, and expertise to make independent investment decisions and understand the risks involved, provided that at least two of the following criteria are met:

- The Client has executed an average of ten significant transactions per quarter over the past year on the relevant capital market.
- The Client's portfolio of financial instruments exceeds EUR 500,000.
- The Client has worked or currently works in the financial sector for at least one year in a position requiring knowledge of the planned transactions or services.

If the Client meets at least two of the criteria above, the Investment Company will treat the client as a professional investor, provided that the following procedure is followed:

- The Client has requested in writing to be treated as a professional investor, either generally or in relation to specific investment services, transactions, or types of transactions or products, and has provided evidence showing that they meet at least two of the criteria above.

- The Investment Company has warned the Client in writing about the waiver of protective measures and other rights that are guaranteed to them as a retail investor under the CMA and subordinate regulations, and explained the level of protection and rights they may lose, including the protection offered by the Investor Compensation Scheme.
- The Client has confirmed in writing that they understand the consequences of losing the level of protection.

The Client is obliged to inform the Investment Company of any changes that may affect their classification.

#### Article 5

Professional investors are:

1. Entities required to have appropriate authorization or be subject to supervision by a competent authority:
  - a) Investment company,
  - b) Credit institution,
  - c) Other financial institution authorized or regulated under special regulations,
  - d) Insurance company,
  - e) Collective investment scheme and its management company,
  - f) Pension fund management company and pension funds,
  - g) Pension insurance company,
  - h) Commodity and derivatives traders,
  - i) Local legal entity,
  - j) Other institutional investors whose primary activity requires authorization or supervision for operations in the financial market.
2. Large enterprises that, on an individual basis, meet at least two of the following criteria for the previous fiscal year:
  - a) Total assets of at least EUR 20,000,000,
  - b) Net revenue of at least EUR 40,000,000,
  - c) Equity of at least EUR 2,000,000.
3. National and regional governments, public bodies managing public debt, central banks, and international organizations such as the World Bank, IMF, ECB, and similar entities.
4. Other institutional investors whose primary activity is investing in financial instruments, including asset securitization entities or financing transactions.

#### Article 6

A professional investor may request to be treated with a higher level of protection, similar to that provided to retail investors.

The Investment Company must inform the Client of the possibility of amending the agreed terms to provide higher protection upon the Client's request.

A professional investor must request higher protection if they believe they cannot properly assess or manage the associated risks.

The Investment Company is obliged to provide higher protection to a professional investor under the CMA if they sign a written agreement stating that they will not be treated as a professional investor in terms of conduct rules.

The agreement must specify whether the higher protection applies to one or more services or transactions or to one or more types of products or transactions.

A professional investor must notify the Investment Company of any changes that may affect their status.

The Investment Company must change a professional client's status to that of a retail investor and provide the appropriate level of protection if it learns that the Client no longer meets the criteria for professional investors.

#### Article 7

Qualified counterparties are Clients with appropriate knowledge, experience, and expertise, for whom investment companies receive, transmit, and execute orders or trade on their own account. The Investment

Company is not required to comply with certain legal provisions on acting in the best interest of the Client, in accordance with Article 116 of the CMA.

#### Article 8

Qualified counterparties under the CMA are:

1. Investment company,
2. Credit institution,
3. Insurance company,
4. UCITS fund and its management company,
5. Pension fund management company and pension fund,
6. Other financial institutions requiring authorization under special regulations or EU legislation,
7. National governments and public bodies managing public debt and central banks,
8. Supranational organizations.

#### Article 9

The Investment Company may treat entities from third countries as qualified counterparties if they are equivalent to those listed in the previous article and explicitly agree to the status.

#### Article 10

Qualified counterparties may request retail investor status for individual transactions or for all transactions collectively.

#### Article 11

The Investment Company must collect information on the Client's or potential client's knowledge, experience, financial situation, and investment objectives before providing investment advice or portfolio management services, in accordance with Articles 54 and 55 of Delegated Regulation (EU) 2017/565.

If the Investment Company does not collect this information, it must warn the client that it cannot provide investment advice or portfolio management services.

If no service or financial instrument is suitable for the client, the Investment Company must not recommend or make trading decisions related to them.

#### Article 12

When providing investment services other than those mentioned in Article 11, the Investment Company must ask the Client or potential client for information on their knowledge and experience relevant to the service or product offered or requested, to assess suitability.

If the Investment Company determines, based on this information, that a product or service is unsuitable for the Client or potential client, it must warn them.

If the Client refuses to provide information or provides insufficient information, the Investment Company must warn them that it cannot determine the suitability of certain investment services or products.

The Investment Company may provide an execution-only service without assessing suitability under specific conditions:

1. The service is provided at the Client's or potential client's initiative.
2. The Client is clearly informed that suitability will not be assessed, and therefore, the Client does not enjoy the protection usually provided by conduct rules.
3. The Investment Company effectively manages conflicts of interest as required.
4. The service involves non-complex financial instruments, such as:

- a) Shares listed on a regulated market, excluding shares in collective investment schemes that are not UCITS funds and shares embedded with derivatives,
- b) Bonds listed on a regulated market, excluding bonds embedded with derivatives or bonds that are complex in structure,
- c) Money market instruments, excluding those embedded with derivatives,
- d) Shares or units in UCITS funds, excluding structured UCITS funds,
- e) Structured deposits, excluding those with a complex structure,
- f) Other non-complex financial instruments meeting the criteria in Article 57 of Delegated Regulation (EU) 2017/565.

Warnings to clients regarding these conditions are included in the General Terms and Conditions.

### Article 13

All organizational units of the Investment Company must comply with this Regulation.  
All amendments to this Regulation must be made in writing.

This Regulation applies from January 2, 2023.

HITA-VRIJEDNOSNICE d.d.

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Ivan Tadin, CEO