

POLICY FOR DETERMINATION OF THE STATUS OF THE CLIENT FOR PROVISION OF INVESTMENT SERVICES AND AUXILIARY SERVICES

1. PURPOSE

- 1.1. The **purpose** of the Client Status Determination Policy for the Provision of Investment and Ancillary Services (hereinafter – the Policy) is to ensure that the Bank protects its clients' interests and offers safe and reliable investment services. The Policy defines basic principles, according to which the Bank performs classification of clients, granting and change of the status, information of the client, as well as determines requirements for control measures.
- 1.2. This Policy sets out the main rules by which the Bank assigns client status, changes it, informs clients, and conducts checks to ensure everything is done correctly.
- 1.3. The Policy and its amendments are reviewed by the Bank's Management Board and approved by the Bank's Supervisory Board.
- 1.4. Resource Management Department shall be responsible for updating of the Policy.

2. GENERAL PROVISIONS

- 2.1. This Policy has been developed in accordance with Latvian laws and European Union regulations governing the provision of investment services. It considers the Latvian Financial Instruments Market Law and the European Directive MiFID II (2014/65/EU), which help ensure client protection and transparency in the financial market.
- 2.2. The Policy and related internal documents of the Bank are reviewed and updated when necessary – for example, in the event of significant changes that may affect the Bank's operations. However, this is done at least once a year to ensure compliance with Latvian and European Union regulations.
- 2.3. The Bank informs Clients about important changes to this Policy by publishing the updated version on its website www.industra.finance and ensuring it is available in all locations where the Bank provides investment services.

3. PROVISIONS FOR GRANTING THE STATUS OF THE CLIENT

- 3.1. A person to whom the Bank provides or will provide investment services and/or ancillary investment services (hereinafter referred to as the Client) may be assigned one of the following statuses:
 - 3.1.1. Eligible Counterparty or,
 - 3.1.2. Professional Client or

- 3.1.3. Retail Client.
- 3.2. When providing investment services, the Bank is obligated to ensure that each Client receives the level of protection appropriate to their status.
- 3.3. Before the Bank begins providing investment services, it informs the Client of the status assigned to them.
- 3.4. The Client has the right to request a change in their status by submitting a written request to the Bank. The Client may request a status change:
- 3.4.1. for all investment services in general, or
 - 3.4.2. only for a specific type of service, transaction, or investment product.
- 3.5. If a Client with **Retail Client** status wishes to become a **Professional Client** and the Bank agrees, both parties must enter into a written agreement. Before the status change, the Bank provides the Client with a written warning about the rights to protection they will lose. The Client must confirm in writing that they have received this warning and understand the consequences.
- 3.6. If a Client with Professional Client status wishes to become a Retail Client and the Bank agrees, both parties must enter into a written agreement. This agreement specifies which investment services, transactions, or products the new status applies to.
- 3.7. If a Client with Eligible Counterparty status wishes to change their status to Professional or Retail Client and the Bank agrees, the Bank will inform the Client in writing of the newly assigned status.
- 3.8. If the Bank learns from a reliable source that a Client no longer meets the requirements for Professional Client status, it may change the Client's status to Retail Client and will inform the Client of this in writing.

4. STATUS OF AN ELIGIBLE COUNTERPARTY

- 4.1. The Bank may apply the status of **an Eligible Counterparty**:
- 4.1.1. **without** receipt of **a written consent of the Client** to the:
 - 4.1.1.1. investment brokerage companies;
 - 4.1.1.2. credit institution;
 - 4.1.1.3. insurance companies;
 - 4.1.1.4. investment funds for the purpose of Law On Investment Management Companies and] investment management companies;
 - 4.1.1.5. pension funds and their management companies;
 - 4.1.1.6. other financial institutions that are licensed or regulated under regulatory enactments of the EU or EU Member States governing financial services;

- 4.1.1.7. National governments and their authorities, including state administration authorities, performing transactions with the national debt on the national level;
- 4.1.1.8. transnational organizations;
- 4.1.1.9. Central bank;
- 4.1.2. **only subject to the written consent of the Client** with respect to the investment services to be provided in general, individual investment services or individual transactions to the:
 - 4.1.2.1. commodities dealers;
 - 4.1.2.2. business entities that enter into transactions on the options, futures or derivative instruments markets or markets of underlying assets at their own expense with a sole purpose of hedging financial risk on derivative instruments market, or at expense of other market participants enter into transactions that are guaranteed by the participants of the clearing system within the respective market, if in such case the responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
 - 4.1.2.3. other commercial companies whose principal business profile is related to investments in financial instruments, including securitization of financial assets or financing or other deals, and that operate at large scale;
 - 4.1.2.4. business entities that comply with at least two of the following three requirements:
 - 4.1.2.4.1. equity - at least the equivalent of EUR 2 million,
 - 4.1.2.4.2. net turnover - at least the equivalent of EUR 40 million,
 - 4.1.2.4.3. book value - at least the equivalent of EUR 20 million,
 - 4.1.2.5. countries and municipalities, state authorities that are in charge of the national debt, national central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
 - 4.1.2.6. foreign entities, which is equal to above-mentioned persons.
- 4.2. Eligible Counterparties have the basic protection level. Transactions between the Bank and Eligible Counterparties shall be considered cooperation between equal parties.
- 4.3. When dealing with an Eligible Counterparties, if the transaction refers to receipt and transmission for execution of the orders regarding transactions in financial instruments, execution of orders regarding transactions in financial instruments

for the account of the Client or any third parties, execution of the transactions in financial instruments for the account of the Bank, the Bank is entitled not to apply the requirements of Sections 126, 126.¹, 126.², 128, (except Section 128, Paragraphs six, seven and eleven), Section 128.¹, Paragraph one, Section 128.² and Section 128.³ of the Financial Instruments Market Law.

- 4.4. When providing services to the Eligible Counterparty, the Bank shall act honestly, decently and professionally and shall provide honest, clear and correct communication, taking into account specific situation of the Eligible Counterparty.
- 4.5. Eligible Counterparties may request in writing the Bank to change the status granted to them pursuant to the procedure stipulated in the Policy, thus increasing their protection level.
- 4.6. Where a submission from the Eligible Counterparty is received for the status change without indicating directly whether it seeks the status of a Professional Client or a Retail Client, the Bank shall grant the status of a Professional Client to Eligible Counterparties.

5. STATUS OF A PROFESSIONAL CLIENT

- 5.1. Individuals and companies that are automatically granted Professional Client status are defined in the Financial Instruments Market Law of Latvia. This law outlines the criteria that must be met for a person or company to be considered a professional client – for example, experience in financial markets, knowledge, and transaction volume. The Bank applies **Professional Client** status accordingly:
 - 5.1.1. credit institution;
 - 5.1.2. investment brokerage companies;
 - 5.1.3. other licensed or regulated financial institutions;
 - 5.1.4. investment funds and investment management companies;
 - 5.1.5. alternative investment funds [for the purpose of Law On Alternative Investments Funds and Their Managers and] alternative investment funds management companies;
 - 5.1.6. insurance companies;
 - 5.1.7. pension funds and pension funds managers;
 - 5.1.8. commodities and commodities derivatives dealers;
 - 5.1.9. commercial companies that enter into transactions on the options, futures or derivative instruments markets or markets of underlying assets at their own expense with a sole purpose of hedging financial risk on derivative instruments market, or at expense of other market participants enter into transactions that are guaranteed and in which case the responsibility for

- performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
- 5.1.10. business entities that comply with at least two of the following three requirements:
- 5.1.10.1. equity - at least the equivalent of EUR 2 million,
 - 5.1.10.2. net turnover - at least the equivalent of EUR 40 million,
 - 5.1.10.3. book value - at least the equivalent of EUR 20 million,
- 5.1.11. countries and municipalities, state authorities that are in charge of the national debt (on the national or regional level), national central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
- 5.1.12. other commercial companies whose principal business profile is related to investments in financial instruments, including securitization of financial assets or financing or other deals, and that operate at large scale;
- 5.1.13. persons that have been classified as Professional Clients in another country, pursuant to a procedure that is equal to the procedure determined by the Bank.
- 5.2. The Bank shall be entitled to classify as a Professional Client any person that is not listed in Paragraph 5.1 of the Policy, but has made the relevant written request if:
- 5.2.1. the Bank has assessed the competence, knowledge and experience of the person and has ascertained that, in view of the specific nature of the respective or planned transaction or service, the person is able to take independent investment decisions and is aware of the related risks, and
 - 5.2.2. the person complies with at least two of the criteria as follows:
 - 5.2.2.1. the person has made transactions of a notable volume on the respective market - at least 10 transactions per quarter during the previous 4 quarters,
 - 5.2.2.2. the value of the person's financial instruments portfolio, including financial assets and financial instruments, exceeds EUR 500,000.
 - 5.2.2.3. the person has an experience in the financial sector of at least one year in a position requiring knowledge in respect of transactions and services that the person intends to make or receive as a Professional Client.
- 5.3. The persons classified as **Professional Clients** according to the procedure stipulated in Paragraph 5.2 of the Policy shall have an obligation to provide to the Bank the information about changes in their operational activities that may affect the compliance of such persons with the requirements set out for the status of the Professional Client.

- 5.4. Professional clients are provided with a medium level of protection. The Bank assumes that these Clients have sufficient knowledge to independently assess whether a particular investment service, transaction, or product is suitable for them. Likewise, the Bank assumes that a Professional Client is capable of independently obtaining the necessary information to make investment decisions.
- 5.5. In transactions with a Professional Client, the Bank shall apply the *Orders Execution Policy for Transactions with Financial Instruments* and the *Policy on Prevention of Conflicts of Interests for Investment Services and Ancillary Services*. In accordance with provisions of Section 126.² of the Financial Instrument Market Law, the Bank shall not assess the suitability and appropriateness of an investment service and ancillary investment service to the interests of the Professional Clients.
- 5.6. Professional Clients may request to change their status either to the status of a Retail Client or Eligible Counterparty, in accordance with the procedure determined in the Policy, thus increasing or reducing their protection level.

6. STATUS OF A RETAIL CLIENT

- 6.1. **Retail Client** status is applied to all Clients who do not meet the criteria for Eligible Counterparty or Professional Client status.
- 6.2. The highest protection level is applied to the Retail Client.
- 6.3. In transactions with a **Retail Client**, the Bank shall apply the *Orders Execution Policy for Transactions with Financial Instruments* and the *Policy on Prevention of Conflicts of Interests for Investment Services and Ancillary Services* as well as other requirements determined in the Financial Instrument Market Law.
- 6.4. A **Retail Client** may request to change their status to Eligible Counterparty or Professional Client, as specified in this Policy. This means the Client consciously chooses a lower level of protection.

7. STATUS COMPLIANCE CONTROL

- 7.1. The Bank shall control the compliance of the status granted to the Client, on the basis of the information on transactions of the client, being at its disposal, as well as assessing the suitability of the investment service provided to the Client and compliance with the knowledge and experience of the Client with a purpose to determine that the particular planned or executed transaction:
- 7.1.1. corresponds with the purpose of investments of the relevant Client;
 - 7.1.2. is the one that the Client is able to financially assume any investment risks, being related to its investment purposes;
 - 7.1.3. is the one that the Client has necessary experience and knowledge, in order to understand the risk related to the transaction including

sustainability risk, or Environmental, Social and Management Factors (ESG).

- 7.2. The Bank shall use the information, which is obtained in accordance with Paragraph 6.1 of this Policy, to determine whether the client has necessary knowledge, in order to understand the risks related to the offered type of service or product, and whether they correspond with the status granted to the Client.