
EMEA Goldman Sachs FICC and Equities Information on the Nature and Risks of Investments for Professional Clients



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A. Information about Financial Instruments

The information contained in these disclosures cannot disclose everything about the nature and risks of all financial instruments in respect of which GS may offer services to you. Rather it is a general description of the nature and risks of financial instruments, which explains the nature of the specific types of instruments in respect of which GS may offer services to you, as well as the risks particular to those instruments. You should not deal in these financial instruments unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position. Although financial instruments can be utilized for the management of investment risk, certain financial instruments can be unsuitable for certain investors. Different financial instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points.

You should also read any relevant documentation, for example prospectus, term sheets and offering memoranda, which may highlight a non-exhaustive set of additional risks particular to a financial instrument, structured deposit, commodity or other financial product or service. You should not rely only on these highlighted risks as being the only risks in relation to a financial instrument or service.

1. Equity Securities

Buying equity securities (the most common form of which are shares) means that you will become a member of the issuer company and participate fully in its economic risk. You will be entitled to receive any dividend distributed each year (if any) out of the issuers profits made during the reference period.

Dealing in equity securities may involve risks including but not limited to the following:

i) Market risk:

The price volatility of equity markets can change quickly and cannot be assumed to follow historic trends. In adverse market conditions equity securities may be subject to increased volatility which can lead to losses. In the worst case, a company could fail and investments in its equity can become worthless.

ii) Issuer default risk:

Generally, holdings in equity securities expose holders to more risk than debt securities since remuneration is tied more closely to the profitability of the issuer. In the event of insolvency of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer.

iii) Characteristics of individual securities and issuer:

There is an extra risk of losing money when shares are bought in some smaller companies, such as penny shares. There may be a difference between the buying price and the selling price of these

shares. If they have to be sold immediately, the account may get back much less than was paid for them since it can be difficult to liquidate these investments. The price may change quickly and it may go down as well as up.

iv) Trading over-the-counter (“OTC”):

It may not always be apparent whether or not a particular security is purchased on-exchange or in an off-exchange transaction. GS will endeavour to make it clear to you if you are entering into an off-exchange transaction. While some off-exchange markets are highly liquid, a transaction in off-exchange securities may involve greater risk than investing in on-exchange securities because it may be difficult to liquidate an existing position to assess the value of the position or to assess the exposure to risk.

2. Debt securities

Buying debt securities (such as bonds and certificates of deposit) means that you are, in effect, a lender to the company or entity that has issued the securities. Debt securities are typically issued for a fixed term and are redeemable by the issuer at the end of that term (maturity). The terms and conditions of repayment are usually stipulated in advance. Purchasers of debt securities are entitled to receive specified periodic interest payments (referred to as a coupon), as well as repayment of the principal amount of the debt securities at maturity. Interest payment can be fixed for the duration of the term or variable and linked to external reference rates.

Dealing in debt securities may involve risks including but not limited to the following:

i) Issuer default risk:

Holdings in debt securities generally risk not being remunerated only if the issuer is in a state of financial distress. Solvency of issuers could be dependent on a range of factors like the solvency and credit rating of its parent company and the issuer itself, its business sector, political and economic factors within the relevant countries. These factors may in turn affect the price of, and demand for, the debt securities in the markets. The value of debt securities will fall in the event of a default or reduced credit rating of the issuer.

In the event of insolvency of the issuer, holders of debt securities are likely to be able to participate with other creditors in the allotment of the proceeds from the sale of the company's assets in priority to holders of equity securities.

ii) Interest rate risk:

Uncertainty regarding interest rate movements could increase the volatility of the value of debt securities. Debt securities with a lower coupon rate have higher price volatility and therefore carry a higher risk of capital loss if sold prior to maturity.

iii) Early redemption risk:

Certain debt securities may contain provisions permitting early redemption of the debt securities, usually in falling interest rate markets, and such early redemptions will likely impact the expected yields achieved on the debt securities.

iv) Convertible and exchangeable debt securities:

Debt securities may be convertible into equity securities or cash payments linked to the value of specific equity securities of the issuer or exchangeable into equity securities of another entity. These securities include an embedded equity derivative which may subject the debt security to risks applicable to derivative products and amplify any losses whilst continuing to be subjected to typical risks attached to debt securities. Upon conversion or exchange, you may be affected by the risks arising from equity securities (as described above). Conversions or exchanges into equity may be subjected to certain conditions (including specified time periods) and hence it may be difficult to realise the investment at the most profitable time.

3. Warrants

A warrant is a security that gives an investor the right, but not the obligation, to either buy or sell an underlying asset at a specific pre-determined “strike” price. Investors may choose to buy a warrant to enhance returns from movements of an underlying asset or to hedge an existing exposure to the relevant underlying asset. Generally, the underlying asset will be shares, debentures, loan stock, government securities, indices, baskets of securities or currencies. Although warrants operate in a similar way to options, warrants are different in that they are securities that are exercisable against the original issuer of the warrant (and your counterparty risk under a warrant is against such issuer).

Dealing in warrants may involve risks, including but not limited to the following:

i) Market risk:

A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile and may, as a result of market conditions, fall below the strike price at any point before the expiry of the warrant. In such cases the warrant may become worthless. The price of a warrant may also fall if there is a reduction in the time remaining to the maturity date or a decrease in the price volatility of the underlying assets. Such factors may lead to capital losses if you seek to sell the warrant prior to the maturity date.

ii) Time limitation:

It is essential when considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time, with the consequence that if you fail to exercise this right within the predetermined timescale then the investment becomes worthless. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a ‘covered warrant’ – see paragraph 9 – Securitised Derivatives).

4. Derivatives Transactions - General

An investment in derivatives may involve additional risks. These additional risks may arise as a result of the inability of a counterparty to perform with respect to transactions, whether due to its own insolvency or that of others, bankruptcy, market illiquidity or disruption, resolution or other action taken by a local regulator (including the bail-in of relevant liabilities) or other causes and whether resulting from systemic or other reasons.

To the extent that derivative instruments are utilised for speculative purposes, the overall risk of loss may be increased. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated. Examples of typical derivatives transactions are set out in paragraphs 5-10 below.

5. Futures and Forwards

Transactions in futures and forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash.

Dealing in futures and forwards may carry a high degree of risk, including but not limited to the following:

i) Effect of leverage or gearing:

The ‘gearing’ or ‘leverage’ often obtainable in futures and forwards trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small

movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements, which are set out in paragraph 9 below.

ii) Market risk:

The length of a futures or forwards contract is typically fixed on the trade date and therefore timing is an important component impacting performance of the product. Between the date on which the futures or forwards contract is entered into and the settlement date of that contract, the value of the transaction may vary positively or negatively as a result of changes in market factors such as the price of the underlying asset, interest rates, dividends, and volatility.

6. Options

Transactions in options involve one of the parties having the right (but not the obligation) to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle your position with cash. There are many different types of options with different characteristics subject to the following conditions and risks:

Buying Options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures or forward contract and you later exercise the option, you will acquire the future or forward. This will expose you to the risks described under 'futures and forwards' (paragraph 5 above) and 'contingent liability transactions' (paragraph 12 below). If the price of the underlying asset moves in your favour, buying an option provides you with a greater exposure to the change in value than if you had invested in the asset itself.

Writing Options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional Options: Certain London Stock Exchange firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Binary Options: A binary option is a type of option whereby the return is structured as "all or nothing" based on a pre-determined level of a reference price of the underlying asset at a specified time or date or during a specified range of dates or times. These can be standalone option contracts or embedded into other products. The return is fixed and payoff will occur automatically with no further action required from the investor. Binary options are utilised as a hedge on an identified risk or to express a view on a specific and precise movement of the underlying asset. Binary options are therefore exposed to market fluctuations on the price of the underlying asset with profits capped (i.e. limited) at the specified rate at the time of entering into the investment. The trigger for any return may be dependent on small movements in price of the underlying reference assets. Investors should note that hedging and risk management transactions activities by market traders may disrupt the market and give rise to potential conflict of interest issues which may affect the underlying reference asset although GS has the relevant policies and procedures in place to minimise such impact and risks. These are considered illiquid investments as there are no secondary markets for trading them and investors must usually wait until the options expiry date or a triggering event during the term of the options contract to get a return/loss on investment. In the event of an adverse market movement, you will lose your entire investment. Certain options markets operate on a margined basis, under which

buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures or forwards position.

7. Swaps

Transactions in swaps involve an exchange of different cash or payment flows between the parties relating to an underlying financial instrument or asset over a certain period. For example, an interest rate swap will involve one party paying the other a variable rate of interest in exchange for payment by the other party of a fixed rate of interest, each calculated on the same notional amount. The party that pays the variable rate of interest will be exposed to the risk of a rise in the variable interest rate but will benefit from a fall in that interest rate. The receiver of the variable rate of interest will be exposed to the risk of a fall in the variable interest rate but will benefit from a rise in that interest rate. The risks involved will be similar those set out in paragraph 12 "contingent liability investment transactions" below.

8. Contracts for Differences

Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on the FTSE 100 index, any other index or the value of assets of any description, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these risks as set out in paragraphs 4 to 6 above. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph 12 below.

9. Securitised Derivatives

These instruments may give you a time-limited right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment. Or they may give you rights under a contract for differences which allow for speculation on fluctuations in the value of assets of any description or an index, such as the FTSE 100 index. In both cases, the investment or asset may be referred to as the "underlying instrument". 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.

These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected. You should only buy this product if you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

10. Structured Products

Structured products provide economic exposure to a wide range of underlying asset classes. The level of income/capital growth derived from a structured product is usually linked to the performance of the relevant underlying asset(s). The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates or commodities.

The potential return from the structured product may be different to that which may be achieved as compared to directly holding the underlying asset. These instruments may involve a high degree of gearing or leverage, so that a relatively small movement in the relevant index/indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid on maturity of the investment.

Certain structured products provide capital protection while others provide conditional or no capital protection. It may be difficult to liquidate or sell an investment of this type, or to identify an independently determined fair valuation for an interest in this kind of vehicle.

11. Off-Exchange Transactions in Derivatives

It may not always be apparent whether or not a particular derivative is effected on exchange or in an off-exchange derivative transaction. GS will endeavour to make it clear to you if you are entering into an off-exchange derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or 'non transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may 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. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

12. Contingent Liability Investment Transactions

A contingent liability transaction is a transaction under the terms of which you will or may be liable to make further payments (other than charges) when the transaction fails to be completed or upon the earlier closing out of your position. These payments may or may not be secured by an amount in money (or represented by securities) deposited with a counterparty or a broker as a provision against loss on transactions made on account.

Contingent liability investment transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit with GS to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract. Margined transactions involve the possibility of greater loss than transactions for which you are not borrowing money. If the value of the assets in your account falls, you may be required to deposit additional assets to secure your loan. Alternatively, GS may sell your assets to pay down or pay off the loan without prior notice to you and at a loss or at lower prices than under other circumstances. You remain solely liable for any deficiencies arising from such sales. Contingent liability transactions which are not traded on or under the rules of a regulated market may expose you to substantially greater risks.

13. Limited Liability Transactions

Before entering into a limited liability transaction, you should obtain from GS or the firm with whom you are dealing a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction. The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

14. Money Market Instruments

Money market instruments are short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include Treasury Bills, commercial paper and certificates of deposit. They are generally short term and therefore more liquid than other investments. When the equity and debt markets are extremely volatile, investing in money market instruments is generally considered to be lower risk. However, these instruments and their market price could be adversely exposed to interest and market risks given the speed and quantum of transactions undertaken in these instruments during periods of volatile market movements. During normal market conditions you may be prevented from achieving your objective during any period in which assets are not

substantially invested in accordance with your principal investment strategies as a result of being invested in such money market instruments. In the event of default/insolvency of issuers, the price and availability of market traders for these instruments may be adversely affected and you will be an unsecured creditor of the relevant issuer.

15. Stock Lending and Repurchase Transactions

Stock lending and repurchase transactions may affect your tax position and you should consult a tax adviser before proceeding. GS does not provide tax or legal advice. Stock lending involves one party providing legal title to the relevant security for a limited period of time, in exchange for legal ownership of collateral. A repurchase transaction involves the sale of securities alongside an agreement for the seller to buy back the securities at a specified price and time.

As a result of lending securities or entering into a repurchase transaction you will cease to be the owner of the relevant securities as in each case, the transaction involves the transfer by one party of title to securities to the other party, although you will have the right to reacquire at a future date equivalent securities (or in certain circumstances their cash value or the proceeds of redemption). However, except to the extent that you have received collateral, your right to the return of securities is subject to the risk of insolvency or other non-performance by the borrower. These types of transactions also entail operational risks such as the non-settlement or delay in settlement of instructions. Since you are not the owner during the period securities are lent out, you will not have voting rights nor will you directly receive dividends or other corporate actions although you will normally be entitled to a payment from the borrower equivalent to the dividend you would otherwise have received and the borrower will be required to account for you for the benefit of corporate actions. Full details will be contained in any stock lending agreement you enter into and the above description is subject to the terms of any such document.

16. Collective Investment Schemes

Collective investment schemes (such as investment funds and open-ended investment companies) invest funds paid in by purchasers of units or shares in the collective investment scheme in the various types of investments provided for in their rules or investment plans. As such, collective investment schemes generally allow unit holders and shareholders to achieve a high degree of diversification at a relatively low cost. Open-ended investment funds, for example, allow savers to invest or disinvest by buying or selling fund units on the basis of the value of a unit, plus or minus the relevant commissions. By purchasing units or shares in a collective investment scheme you will be exposed to the risks and returns associated with the nature of the financial instruments in which the collective investment undertaking invests and, where relevant, their concentration in a particular sector, country, region or asset class including derivative instruments and any borrowings and/or leverage utilised.

17. Exchange Traded Funds

Exchange traded funds ("**ETFs**") are closed-ended collective investment schemes, traded as shares on stock exchanges, and typically replicate a stock market index, market sector, commodity or basket of assets. As such, they generally combine the flexibility and tradability of a share with the diversification of a collective investment scheme. ETFs may expose you to similar risks as detailed in respect of equity securities (paragraph 1 above) and collective investment schemes (paragraph 16 above).

18. Structured Capital-at-Risk Products (SCARPS)

These products are designed to provide you with an agreed level of income or growth over a specified investment period. The return of the capital you initially invested may be linked to the performance of an index, a "basket" of selected stocks or other factors. If the product has performed within specified limits, you will be repaid the capital you initially invested but if not, you could lose some or all of your initial capital. Investing in these products can put the capital you initially invested at risk. These products are not 100% protected.

The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: Equity or debt securities, interest rates, currency exchange rates or commodities. Some of the products include an element of principal protection, at a level which is stated at the time of the initial investment, so that on maturity of the investment you are assured of the return, at a minimum, of the stated proportion of your initial capital invested (subject always to the credit of the issuer of the product). In respect of some products which include an element of principal protection, the return of the stated proportion of your initial capital invested may depend on a pre-agreed level of performance being achieved or the product being held to maturity. If the performance is not attained or the product is not held to maturity the element of principal protection will not apply. Different products involve different levels of exposure to risk (and reward) and in deciding whether to trade in such products you should be aware of the following points.

1. There is no guarantee that all of the initial capital invested by you will be returned to you on maturity of the investment. You may therefore get back a lesser amount than you originally invested.
2. These investments may involve a degree of gearing, so that a relatively small movement in the relevant index/indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid out to you on maturity of the investment.
3. Investments linked to the performance of an index do not include an allowance for any return or reinvestment of dividend income from the underlying constituents of the index.
4. If you decide to redeem or sell the investment before its stated maturity, you may not gain the maximum benefit of the investment and may receive a poor return or less than the initial capital invested. Early redemption penalties may be applicable in some circumstances.
5. The initial capital you invest may be placed into high risk investments such as non-investment grade bonds/instruments linked to commodities or indices on commodities.
6. The stated rate of growth or income in relation to an investment may depend on specified conditions being met, including the performance of the relevant index/indices, basket of selected stocks or other specified factor(s).
7. You should not deal in these investments unless you are prepared to sustain a loss of the money you have invested (a loss which may be total or may be partial as specified in the relevant terms and conditions) plus any commission or other transaction charges.

19. Alternative Investments

Hedge funds and other private investment fund investments ("**alternative investments**") may involve complex tax and legal considerations and can give rise to considerable risks.

Although often in the form of collective investment schemes, alternative investments are often not subject to the same regulatory requirements or oversight as traditional collective investment schemes. Sponsors or managers of alternative investments may also not be registered with any government agency or regulatory authority. Investors in alternative investments may also have limited rights with respect to their investment interest, including limited voting rights and participation in the management of the alternative investment.

Alternative investments often engage in leverage and other speculative investment practices, which involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, including the loss of the entire amount that is invested. Interests in alternative investments are often highly illiquid as there is no public market for such interests and are often only transferable with consent. The illiquid nature of such investments can mean interests can be difficult to value and can render transfer (particularly within a required timeframe) difficult. Alternative investments may themselves invest in instruments that may be highly illiquid and difficult to value. Alternative investments may also not be required to provide you with periodic pricing or valuation information. Again, this may limit your ability to redeem or transfer your investment or delay receipt of redemption proceeds. It should be noted that alternative investments may impose significant fees and charges, including management fees that are based upon a percentage of the realised and unrealised gains or management fees that are set at a fixed percentage of assets under management regardless of performance returns.

20. Foreign Markets and Foreign Denominated Securities

Foreign markets will involve different risks from UK markets and non-EEA markets will involve different risks from EEA markets. In some cases the risks will be greater in foreign markets. On request, GS will endeavour to provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm through whom it deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

Investments in emerging markets are exposed to additional risks, including accelerated inflation, exchange rate fluctuations, adverse repatriation laws and fiscal measures, and macroeconomic and political distress. Part B below sets out further information to consider when investing in emerging markets.

21. Non-readily Realisable Investments, Illiquid Investments

GS may recommend transactions to you and enter into transactions on your behalf in non-readily realisable investments. These are investments in which the market is restricted e.g. where the terms may prohibit parties from unwinding or terminating the instruments or from exercising rights until specific times; it may, therefore, be difficult to deal in such investments as there is no certainty that market makers will be prepared to deal in such investments or to obtain reliable or adequate information for determining the current value of such investments. In such instances, you may find it difficult or impossible to liquidate a position, assess value or determine a fair price and significant losses may incur.

22. Collateral

If you deposit collateral as security with GS, the way in which it will be treated will often vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether you are trading on a regulated market, with the rules of that market (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as your property and therefore you may not get back the same assets which you deposited and you may have to accept payment in cash.

23. Commissions

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

24. Suspensions of Trading

Under certain trading conditions or the application of certain rules in force in some markets (such as circuit breakers) it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price. Most electronic and auction trading systems are supported by computerised systems for order routing and trade checking, recording and clearing. Like all automated procedures, these systems are subject to the risk of stoppages and malfunctions, which may result in your orders not being executed in accordance with your instructions or remaining unexecuted.

25. Clearing House Protections

On many exchanges, the performance of a transaction by GS (or third party with whom it is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if GS or another party defaults

on its obligations to you. This means that your claims for recovery of sums owed to you by the counterparty will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issue. This may lead to positions being liquidated or closed out without your consent. It may be difficult or impossible to liquidate investments, assess value or risk exposure or determine a fair price. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. However, since commencement of the implementation of the European Market Infrastructure Regulation on derivatives, central counterparties and trade repositories ("EMIR"), certain OTC derivative contracts, as mandated under European rules, should be centrally cleared. For those non-centrally cleared OTC derivative transactions, GS and its counterparties are required to implement risk-management procedures that require the timely, accurate and appropriately segregated exchange of collateral which will further mitigate risk in this regard. On request, GS will endeavour to explain any protection provided to you under the clearing guarantee applicable to any derivatives in which you are dealing.

26. Structured Deposits

Structured deposits are deposits or savings which are fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to certain factors e.g. index, financial instrument, commodities or foreign exchange rates or combinations thereof. Structured deposits are not the same as conventional time deposits and involve a higher degree of risk as there is no principal protection of proceeds upon maturity like cash savings.

Structured deposits may be subject to fluctuations on currency markets where the proceeds at maturity may be payable in a currency different to that which was invested initially and this may result in a loss on exchange rate compared with the base currency. Foreign exchange controls may also affect payment and delay or prevent proceeds being paid to you despite you holding the investment until maturity. Investors are exposed to the risk of insolvency of the issuer of such securities, its guarantor (if any) or the underlying assets. As no actual ownership rights over the underlying assets are transferred, an investment in such securities may not fully replicate the performance of the underlying assets. Structured deposits are time constrained and locked in for a specified period. Where termination fees can be paid, these may reduce the capital returned as early termination will significantly affect investment returns or lead to losses.

27. Capital Protection and/or Guarantee

In respect of capital protected and/or guaranteed investments whereby you are entitled to a return of a fixed amount of the principal at maturity, the investment should be held to maturity and sufficient liquid assets should be maintained during the maximum term of such investments. Early withdrawal may result in the loss of the principal amount under the terms of the investment. Depending on the terms of investment, the capital protection component of a particular investment may be less than 100% of the capital invested and that capital protection may not mean a 100% repayment of the purchase price paid in the event of insolvency of counterparties or guarantors notwithstanding that a client may have held the investment until maturity.

28. Emissions Allowance Trading

Greenhouse gas emission allowances are traded in a marketplace of which the EU Emissions Trading System ("EU ETS") forms part. The EU ETS is an EU wide cap and trade system whereby an annual limit is set at a national level by legislation on the total emissions allowed for each installation covered by the EU ETS. Allowances are then allocated or purchased by the covered installations. Emissions are monitored and reported by the covered installations and allowances are surrendered to meet their annual compliance target. As part of this system, allowances are traded by participants in the market, including third parties not obligated under the EU ETS as an installation. The EU ETS is administered in the UK by the Environment Agency.

As with all commodities, emissions allowance prices may be volatile and will be affected by a variety of factors that are unpredictable including changes in demand/availability, legal and regulatory changes, and other national and international political events. Furthermore, emission reduction targets, allowance allocation and other mechanisms created within the EU ETS artificially drive demand and supply of allowances. EU allowance markets are also subject to temporary distortions or

other disruptions due to various factors including failure of the infrastructure supporting the transfer, allocation or holding of allowances and/or the early or inaccurate release of compliance data.

The availability of emissions allowances for trading may be affected by political factors. As this is a relatively new market and heavily dependent on targets and corresponding regulatory obligations set on certain participants, changes in policy and regulations may affect prices significantly. These factors may also affect the availability of counterparties to the trades. Trades may be undertaken by means of spot trades, forwards and futures contracts. The relevant risks attached to each of these instruments are set out above and will apply where relevant. As the instruments may be short term contracts, you may not be able to unwind or terminate the contracts at the time or price you desire. You are exposed to the default risk of the counterparty who may fail to deliver or perform the relevant contracts and as a result you may suffer significant loss.

29. Insolvency

GS's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request, GS will endeavour to provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

30. Stabilisation

The process of stabilisation is undertaken in order to ensure that the issue of investments is introduced to the market in an orderly fashion, and that the issue price and/or the price of associated investments is not artificially depressed because of the increase in supply caused by the new issue. Stabilisation may only take place for a limited period, and there are limits on the price at which shares, warrants and depository receipts may be stabilised (although there are no limits in respect of loan stock and bonds). You acknowledge that GS may effect transactions in investments that may be the subject of stabilisation, a price supporting process that may take place in the context of new issues. The effect of stabilisation can be to make the market price of the new issue temporarily higher than it would otherwise be. The market price of investments of the same class already in issue, and of other investments whose price affects or is affected by the price of the new issue, may also be affected.

31. The Bank Recovery and Resolution Directive (BRRD) resolution regime

The BRRD aims to reduce threats to financial stability by establishing a framework for the recovery and resolution of EEA credit institutions and investment firms. The BRRD gives "resolution authorities" the power to rescue failing European financial institutions by using a bail-in tool that involves either the cancellation of the liabilities (typically unsecured) of the failing entity, in whole or in part, or the conversion of such liabilities into another security, including ordinary shares of the surviving entity (if any). The BRRD resolution regime (in particular, the exercise of the bail-in tool) could cause you to lose some or all of any investment in financial instruments issued by EEA entities in scope of the BRRD (which would include EEA credit institutions, certain EEA investment firms and potentially other entities within their group). The terms and rights associated with such financial instruments (e.g. date of maturity or interest rate payable) may be varied or payments suspended, or the instruments may be converted into ordinary shares or other instruments of ownership, which have different risks or rights associated with them.

Your investment in such instruments issued by an institution that is subject to the BRRD resolution regime may therefore be written down to zero and you will lose the entire capital you have invested in that instrument or security. Even when you have not invested directly into such instruments, where you have invested into instruments which are exposed to such "in-scope" instruments, where such underlying instruments are subjected to "bail in" there may be an adverse impact to the value and return of your investments. The exercise of the "bail in" and other powers under the BRRD resolution regime may not constitute an event of default under the terms of your investments and you will have limited recourse to challenge the use of such measures.

B. Emerging Markets Risk Statement

Whilst countries other than those with well-developed legal systems and securities markets have been working to develop their legal, judicial and regulatory infrastructure there is still a high degree of legal uncertainty concerning the rights, duties and legal remedies of market participants in some of these countries. Emerging markets can carry significantly greater risks than those typically associated with investing in more developed markets. The nature and extent of these risks will vary from country to country. Before making any investment in these markets, you should independently satisfy yourself that you understand and appreciate the significance of the relevant risks, and that such an investment is suitable for you and any clients for whom you are acting in a fiduciary capacity. This statement is intended to summarise some of these risks, but does not purport to be an exhaustive list, nor should it be regarded as offering advice on the suitability of these investments for you or your clients.

1. Market Characteristics

The securities markets of emerging countries are in the early stages of their development and many of them generally lack the levels of transparency, liquidity, efficiency and regulation characteristic of the more developed markets. In some of these markets, standard practices, market customs and usages have yet to evolve and be readily identifiable as such by market participants. The credit rating of local financial institutions may not be high and there is often limited trust in such institutions. Government supervision of securities markets, investment intermediaries and quoted companies may be considerably less well developed than in many countries with well-established markets and, in some cases, effectively non-existent. Many regulations are unclear in their scope and effect, and there may be a greater risk than in more developed countries of activities conducted in good faith on the basis of professional advice subsequently being regarded as not in compliance with fiscal, currency control, securities, corporate or other regulatory requirements. In addition, where a system of regulation is present, it may lack any, or any adequate, mechanism to enforce compliance by participants. The valuation of both enterprises and securities in some of these countries has sometimes proved problematic in the absence of efficient secondary markets. In particular, the illiquidity of the markets in general or of particular securities in some of these countries may make it difficult to determine an accurate valuation for a particular security or whether such security could actually be sold at such a price. In addition, due to historic difficulties in acquiring securities in certain of these countries, depository receipts or derivatives relating to certain of such securities have been created which may not be fungible with each other or the securities underlying or relating to such depository receipts or derivatives. This might lead to such depository receipts or derivatives trading at substantial premiums or discounts to the underlying or related securities.

2. Economic Risk

Many emerging countries lack a strong infrastructure. Telecommunications generally are poor, and banks and other financial systems are not always well developed, well regulated or well integrated. These countries may also have considerable external debt, which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect foreign investors.

Businesses in these countries may have a limited history operating in market conditions. Accordingly, when compared to companies in more developed markets, such businesses may be characterised by a lack of management who are experienced in market conditions and a limited capital base with which to develop their operations.

3. Political Risk

The political systems in the majority of emerging countries have been the subject of substantial and positive reforms. The relative infancy of some of these political systems may mean that they are more vulnerable in the face of popular dissatisfaction with reform, political or diplomatic developments, or social, ethnic or religious instability. Such developments, if they were to occur, could in turn lead to a reversal of some or all of the democratic reforms, a backlash against foreign investment and, in a worst case scenario in some countries, a return to a centralized planned economy and state ownership of assets. This could involve the compulsory nationalisation or expropriation of foreign-

owned assets without adequate compensation, or the restructuring of particular industry sectors in a way which could adversely affect private investors in such sectors.

4. Investment, Foreign Exchange and Repatriation Restrictions

Foreign investment in emerging countries is in some cases restricted. Some of these countries have non-convertible currencies and the value of investments may be affected by fluctuations in available currency rates and exchange control regulations (which could change at any time). The repatriation of investors' funds and profits may therefore be restricted or difficult and could involve significant cost. Moreover, considerable delays may occur in the transfer of funds within, and with repatriation of monies out of, these countries.

5. Tax Risks

In some countries the tax position is complex and subject to more frequent change than in Western countries. It may not be possible to reclaim tax even where this is theoretically possible due to practical and timing issues.

6. Legal Risks

Many emerging countries do not yet have a legal system comparable to those of more developed countries. Legal reforms may not always correspond to market developments, resulting in ambiguities and inconsistencies which increase the risk of investing in these countries. Legislation to safeguard the rights of private ownership and control as well as establishing intellectual property concepts may not yet be in place, and there is risk of conflicting rules and regulations. Laws and regulations governing investment in securities markets may not exist or may be subject to inconsistent or arbitrary interpretation or application. The independence of the judicial systems, and their susceptibility to economic, political or nationalistic influences, remains largely untested. It may be impossible to predict whether a foreign investor would obtain effective redress in the local courts in respect of a breach of local laws or regulations, or in an ownership dispute.

7. Settlement Risk

The concepts of ownership of and procedures for the transfer of securities in emerging countries may differ radically from those in more developed markets. In some markets, for example, the term "dvp" (delivery versus payment) does not imply that securities and cash move at the same time. Registration of shares may not be subject to standardized procedures or to a centralised system, and may be effected on an ad hoc basis. The concept of nominee ownership is undeveloped and, in some cases not recognised at all. As a result, registration can be administratively cumbersome and time consuming, leading to delays in settling trades, ownership disputes and constraints on trading. The realisation of rights of ownership, for example the exercise of shareholders' rights, cannot be assumed. Moreover, in some markets the risk of conflicts of interest on the part of those responsible for the conduct of the registration procedures, and the risk of fraud (for example, in connection with physical certificates) or of a registrar refusing to effect registration without justification (or of a registrar deleting a registration once it has occurred, with a consequential total loss of investment) is higher in many cases than in more developed markets.

8. Shareholder Risks

Rules in emerging countries regarding ownership and corporate governance of domestic companies (for example, limiting the ability of management to effect transactions with affiliates or to sell or otherwise dispose of their company's assets) may not exist or may confer little practical protection on minority shareholders. Disclosure and reporting requirements are in many cases less than in more developed countries and may be non-existent or rudimentary. Anti-dilution protection may also be very limited. Redress for violations of shareholder rights may be difficult in the absence of a system of derivative or class action litigation.

9. Accounting Practices

Accounting, auditing and financial reporting standards in many emerging countries are not yet equivalent to those applicable in more developed countries and in some of these countries are of virtually no assistance to an investor. The availability, quality and reliability of corporate information (including official data) is likely to be lower than that in respect of investments in more developed markets.

C. Regulatory Information about Goldman Sachs Entities

Goldman Sachs International is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a registered Swap Dealer regulated by the U.S. Commodities Futures Trading Commission.

Goldman Sachs International Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Goldman Sachs Bank USA, London branch, is authorised by the Prudential Regulation Authority, supervised by the Federal Reserve System of the United States of America, and regulated by the Financial Conduct Authority and to a limited extent by the Prudential Regulation Authority.

Goldman Sachs Paris Inc. et Cie is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution and by the Autorité des Marchés Financiers and is a registered Swap Dealer regulated by the U.S. Commodities Futures Trading Commission.

Goldman Sachs Bank Europe SE is a credit institution incorporated in Germany and, within the Single Supervisory Mechanism established between those Member States of the EU whose official currency is the Euro, subject to direct prudential supervision by the European Central Bank and in other respects by BaFin and Deutsche Bundesbank.