

## MiFID II Schedule of Product and Service Risk Disclosures

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This Schedule of Product and Service Risk Disclosure (the “Disclosure”) is provided by Chatham Financial Europe (“Chatham”) to professional clients (as defined in Directive 2014/65/EU (MiFID II)). This Disclosure is prepared in accordance with MiFID II, its delegated regulations as amended from time to time, and applicable provisions under local law, as well as relevant guidance issued by competent authorities.

This document is intended to provide a general description of the nature and risks of the investment services and financial instruments in respect of which Chatham may provide advice or support. It does not intend to disclose all risks or all material aspects of such services or instruments.

Chatham provides independent advisory and related services in connection with financial risk management. This document does not constitute investment advice or a personal recommendation in relation to any specific transaction. You should not enter into any transaction unless you understand the nature of the transaction and the risks involved, and are satisfied that it is appropriate in light of your objectives, financial position and circumstances. Where appropriate, you should seek independent legal, financial, tax or other professional advice prior to entering into any transaction.

Risk factors may occur simultaneously and may interact in ways that are difficult to predict. The use of leverage may significantly increase both potential gains and potential losses. Even where a transaction is intended to hedge an underlying exposure, it may not perform as expected under all market conditions.

### Principal Risk Factors in Derivatives

- **Market Risk:** Market risk is the risk that the value of a transaction is adversely affected by changes in relevant market variables, including interest rates, foreign exchange rates, commodity prices, volatility levels and correlations between such variables. Financial markets may be subject to periods of disruption or reduced liquidity. In such conditions, it may be difficult to enter into, adjust or terminate a transaction at a desired

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price or within a desired timeframe. Market movements may be sudden and significant, particularly in stressed or illiquid conditions.

- **Credit Risk:** Credit risk arises where a counterparty fails to perform its contractual obligations when due. This may result in delayed payments, partial recovery or complete loss. In addition, where collateral or margin has been posted, there is a risk that such amounts may not be fully recoverable in a timely manner, particularly in the event of counterparty insolvency.
- **Liquidity Risk:** Liquidity risk arises where a market for a financial instrument is not readily available or where market participants are unwilling to transact. This may limit your ability to close out or modify a position prior to maturity. In certain cases, it may only be possible to terminate a transaction at a cost, or not at all.
- **Funding and Cash Flow Risk:** Certain transactions may give rise to obligations requiring the posting of collateral or the making of periodic payments. Mismatches in the timing of such obligations may create pressure on funding. This risk may arise even where the underlying transaction is economically effective, particularly where market movements result in increased collateral requirements.
- **Operational Risk:** Operational risk includes the risk of loss resulting from inadequate or failed internal processes, systems or controls, as well as human error. This may affect the ability to properly monitor, value or manage transactions and associated risks.
- **Legal and Documentation Risk:** Legal risk arises where contractual arrangements do not operate as intended. This may include uncertainty regarding the enforceability of agreements, including close-out netting or collateral arrangements. Documentation may be complex and may contain provisions that affect rights and obligations in ways that are not immediately apparent.
- **Foreign Currency Risk:** Where transactions involve foreign currencies, fluctuations in exchange rates may affect both the value of the transaction and associated cash flows. This may result in gains or losses independent of the underlying economic exposure being hedged.

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- **Leverage Risk:** Many derivative instruments involve a degree of leverage. This means that relatively small movements in the underlying market can result in disproportionately large changes in value. Losses may exceed initial amounts invested or collateral posted, and additional payments may be required on short notice.
- **Valuation and Pricing Risk:** Certain financial instruments, particularly over-the-counter (OTC) derivatives, may not have readily observable market prices. Valuations may therefore be based on models, assumptions and market data that may vary between market participants. As a result, different valuations may be produced for the same instrument. Any indicative or mid-market valuation provided by a third party or by Chatham represents an estimate only and does not constitute a firm or executable price.
- **Modification and Termination Risk:** OTC derivatives are typically individually negotiated and are not freely transferable. As a result, early termination or modification of a transaction generally requires the agreement of the counterparty. Termination may involve costs, and it may not be possible to exit a transaction at a favorable price.
- **Hedging Effectiveness and Basis Risk:** Transactions entered into for hedging purposes may not provide a perfect offset to the underlying exposure. Differences between the hedging instrument and the underlying exposure (basis risk) may result in residual risk. In certain circumstances, a hedging strategy may result in outcomes that resemble speculative positions.
- **Concentration Risk:** Chatham's services focus on derivatives used for hedging purposes. As a result, exposures may be concentrated on specific types of risk, such as interest rate, foreign exchange or commodity risk. Such concentration may increase sensitivity to particular market movements.
- **General Risks of Derivatives:** Derivatives are financial instruments whose value is derived from an underlying asset, index or reference rate. They may involve obligations to make payments in the future and may include contingent liabilities. Derivatives may be traded on an exchange or over-the-counter. OTC derivatives are individually negotiated and may involve reduced transparency, increased counterparty risk and limited liquidity. The value of a derivative may be affected by a range of factors, including time to maturity, volatility, interest rates and market expectations.

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### **Product-Specific Risk Considerations**

Futures, Forwards and Forward Rate Agreements are instruments that involve an obligation to buy or sell an underlying asset at a future date or to settle in cash. They may involve leverage and margin requirements, which can result in significant gains or losses.

Options provide the right, but not the obligation, to buy or sell an underlying asset. The risk profile differs depending on whether the option is purchased or written. Purchasers of options risk losing the premium paid. Writers of options may be exposed to substantial or, in certain cases, unlimited losses. The characteristics of an option, including its exercise style, may affect the timing and extent of potential obligations.

Contracts for Differences are cash-settled derivatives that reflect movements in the price of an underlying asset. They typically involve leverage and may give rise to contingent liabilities.

Swaps and Related Instruments involve the exchange of cash flows based on underlying variables such as interest rates, currencies or commodities. They may be combined with optionality (for example, swaptions, caps, floors or collars), which can introduce additional complexity and risk. As with other OTC derivatives, swaps expose participants to counterparty risk and may be difficult to terminate prior to maturity.

### **Important Notice**

This Disclosure does not aim to identify all risks or material considerations associated with the services or financial instruments described. You should ensure that you fully understand the terms and risks of any transaction before entering into it, and that you are able to bear the potential risks involved.