

GLOBAL MASTER REPURCHASE AGREEMENT (2011 VERSION)
ITALIAN ANNEX

**Supplemental terms and conditions for transactions in
Domestic Purchased Securities**

This Annex constitutes an Annex to the Global Master Repurchase Agreement (2011 version) dated _____ between

and

_____ (the *Agreement*).

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to them in the Agreement.

1. Scope

In the event of Repurchase Transactions or Buy/Sell Back Transactions in Domestic Purchased Securities (as defined below), the following provisions shall apply and, where in conflict with any other term of the Agreement or of the Buy/Sell Back Annex, they shall prevail.

2. Interpretation

- (a) The following definitions shall be added to paragraph 2 of the Agreement –

“Domestic Purchased Securities” means Purchased Securities (other than equities) which are admitted to a Domestic Centralised Administration System whether or not the issuer thereof is incorporated in Italy or has a presence in Italy.

“Domestic Central Securities Administrator” means Monte Titoli S.p.A. or any other Italian entity authorised as a central securities administrator (*società di gestione accentrata*) in Italy.

“Domestic Centralised Administration System” means the centralised administration system (*sistema di gestione accentrata*) administered by a Domestic Central Securities Administrator.

“Domestic Settlement Services Provider” means a Domestic Central Securities Administrator as authorised to provide settlement services in Italy or any other entity authorised to provide settlement services in Italy pursuant to the applicable laws and regulations.

- (b) References to *“Repurchase Price”* and to *“Sell Back Price”* throughout this Annex shall be construed as references to “Repurchase Price or the Sell Back Price, as the case may be”.

3. Settlement method

The settlement method in relation to Transactions in Domestic Purchased Securities shall be the method provided under the rules and instructions for settlement issued by the relevant Domestic Settlement Services Provider. Settlement of Purchased Securities by Monte Titoli S.p.A. shall be made through a settlement platform for financial instruments other than derivatives (*sistema di regolazione*) named Express II. Express II provides for a gross settlement service (*liquidazione su base lorda*) or a net settlement service (*liquidazione su base netta*). Net settlement service is used in case of multilateral transactions and contemplates an intra-day cycle (*ciclo diurno*) and an overnight cycle (*ciclo notturno*).

4. Late delivery

- (a) In connection with a Transaction in Domestic Purchased Securities, if Seller fails to deliver Domestic Purchased Securities to Buyer on the Purchase Date or Buyer fails to deliver Securities equivalent to Domestic Purchased Securities on the Repurchase Date and Buyer or, as the case may be, Seller (the ***affected party***) elects to terminate the Transaction in accordance with paragraph 10(h)(iii) or, as the case may be, paragraph 10(i)(iii) of the Agreement, the parties agree that for the purposes of paragraph 10(d) –
- (i) if the affected party has, on or about the Early Termination Date, purchased, whether by way of a repurchase transaction, buy and sell back transaction or otherwise, Securities forming part of the same issue and being of an identical type and description as those Purchased Securities or Equivalent Securities, the affected party shall, to the extent that it does not fall within paragraph 10(f), treat the cost of such purchase (including all Transaction Costs) as the Default Market Value of those Securities;
 - (ii) in calculating the Default Market Value, Transaction Costs incurred in connection with a purchase of Securities under paragraph 10(f)(i)(A) or (B) shall include any costs imposed by Monte Titoli S.p.A. or any other Domestic Settlement Services Provider in consultation with the Bank of Italy and Consob as a result of the failure.
- (b) If Buyer fails to deliver Equivalent Securities to Seller on the applicable Repurchase Date, Seller may by written notice to the other party, elect to adjust the Transaction in accordance with sub-paragraph (c) below.
- (c) The adjustment of a Transaction (the ***Original Transaction***) under this sub paragraph shall be effected as follows. The Original Transaction shall be terminated on the Repurchase Date for the Original Transaction and the parties shall be deemed to enter into a new

Transaction (the ***Replacement Transaction***) in accordance with the following provisions

- (i) the Purchase Date under the Replacement Transaction shall be the Repurchase Date under the Original Transaction;
 - (ii) the Purchased Securities under the Replacement Transaction shall be Securities equivalent to the Purchased Securities under the Original Transaction;
 - (iii) the Purchase Price under the Replacement Transaction shall, unless otherwise agreed, be the Market Value of the Purchased Securities for that Transaction on the Purchase Date for the Replacement Transaction as determined by Seller;
 - (iv) the Pricing Rate under the Replacement Transaction shall, unless otherwise agreed, be minus five percent.;
 - (v) the Repurchase Date under the Replacement Transaction shall be the Business Day following the Purchase Date under the Replacement Transaction;
 - (vi) the Margin Ratio and, subject as aforesaid, the other terms of the Replacement Transaction shall, unless otherwise agreed, be identical to those of the Original Transaction; and
 - (vii) the obligations of the parties with respect to the delivery of the Purchased Securities and the payment of the Purchase Price under the Replacement Transaction shall be set off against their obligations with respect to the delivery of Equivalent Securities and payment of the Repurchase Price under the Original Transaction and accordingly only a net cash sum shall be paid by one party to the other. If such net sum is payable by Seller to Buyer, that sum shall be payable on the Repurchase Date under the Replacement Transaction.
- (d) If on the Repurchase Date for any Transaction Buyer delivers to Seller part only of the Equivalent Securities which it should have delivered (the ***Delivered Securities*** and the part of the Equivalent Securities which Buyer has failed to deliver being the ***Undelivered Securities***) Seller shall not be obliged to accept delivery of the Delivered Securities but instead may elect to terminate that Transaction in accordance with paragraph 10(i)(iii) of the Agreement, in which case sub-paragraph (a) above shall apply. If Seller elects to accept delivery of the Delivered Securities, the Transaction shall be terminated and Buyer and Seller shall be deemed to enter into a new Transaction in respect of the Undelivered Securities in accordance with the provisions of sub-paragraph (e) below.
- (e) Where this paragraph applies, the Transaction (the ***Terminated Transaction***) shall be terminated. Upon such termination, Buyer shall

transfer to Seller or its agent the Delivered Securities against payment by Seller of the proportion of the Repurchase Price which corresponds to the Delivered Securities and the parties shall be deemed to enter into a new Transaction on the following terms –

- (i) the Purchase Date under the new Transaction shall be the Repurchase Date under the Terminated Transaction;
- (ii) the Purchased Securities under the new Transaction shall be Securities equivalent to the Undelivered Securities;
- (iii) the Purchase Price under the new Transaction shall be the Market Value of the Undelivered Securities at the Purchase Date under the new Transaction as determined by Seller;
- (iv) the Repurchase Date under the new Transaction shall be the Business Day following the Purchase Date under the new Transaction;
- (v) the Pricing Rate under the new Transaction shall, unless otherwise agreed, be minus five percent.;
- (vi) the Margin Ratio and, subject as aforesaid, the other terms of the new Transaction shall, unless otherwise agreed, be identical to those of the Terminated Transaction; and
- (vii) the obligations of the parties with respect to the delivery of the Undelivered Securities and the payment of that part of the Repurchase Price which corresponds to the Undelivered Securities under the Terminated Transaction shall be set off against their obligations with respect to the delivery of the Purchased Securities and the payment of the Purchase Price under the new Transaction and accordingly only a net cash sum shall be paid by Seller to Buyer. If such net sum is payable by Seller to Buyer, that sum shall be payable on the Repurchase Date under the new Transaction.

5. Construction of Buy/Sell Back Annex

The provisions of the Buy/Sell Back Annex shall apply to Buy/Sell Back Transactions in Domestic Purchased Securities as if:

- (a) references to Buy/Sell Back Transactions shall be construed as references to Buy/Sell Back Transactions in Domestic Purchased Securities; and
- (b) references to Purchased Securities shall be construed as references to Domestic Purchased Securities.

GLOBAL MASTER REPURCHASE AGREEMENT (2011 VERSION)

Guidance notes to the Italian Annex

These guidance notes –

- are designed to provide users of the Italian Annex with information on its content;
- do not form part of the Italian Annex or the Agreement; and
- summarise certain, but not all, of the provisions of the Italian Annex.

1. Purpose and scope

The Italian Annex is intended to apply in all Transactions relating to Domestic Purchased Securities (as defined in paragraph 2(a) of the Annex), which are essentially constituted by securities which are admitted to a Domestic Centralised Administration System (*sistema di gestione accentrata*) under Legislative Decree no. 58 of 24 February 1998 (the *Italian Financial Act*) whether or not the issuer is incorporated in Italy or has a presence in Italy. The only centralised administration system in Italy is currently administered by Monte Titoli S.p.A. although the Italian Financial Act provides for the possibility that other joint stock companies (*società per azioni*) are authorised as central securities administrators (*società di gestione accentrata*) in Italy by Consob (the financial regulatory authority) and the Bank of Italy (the banking regulatory authority).

Parties must be aware that bonds and debt instruments issued by Italian issuers do not normally qualify as gross paying securities since the coupons on such securities cannot normally be paid gross.

2. Single Confirmation for a Buy/Sell Back Transaction

Under Italian market practice, a Buy/Sell Back Transaction is treated as a single combined transaction not divisible into its components. For this reason, the confirmation in respect of a Buy/Sell Back Transaction is in the form of a single document covering both the purchase and the resale of Securities.

3. Settlement method

Under the Monte Titoli “Operating rules for Settlement Systems (Express II) and related activities” dated 9 September 2013 and “Instructions Express II - Service Net Settlement” dated 26 August 2013, a Transaction under the Italian Annex may be settled under a settlement platform for financial instruments other than derivatives (*sistema di regolazione*) named Express II. This system was fully adopted in Italy as of 26 January 2004. The platform is aimed at integrating the previously applicable gross settlement service for securities (*liquidazione su base lorda*), with a new net settlement service (*liquidazione su base netta*). In this context, a net settlement service is a system that allows for the settlement of transactions on financial instruments on a multilateral basis. A gross settlement service is a system that allows for the settlement of

individually considered transactions on financial instruments. With the new platform, the old “*assegnazione*” mechanism run by the Bank of Italy is entirely superseded. Express II contemplates an intra-day cycle and an overnight cycle aimed at maximising the number of transactions that may be settled. The system is designed to optimise the intermediaries’ liquidity, by increasing the availability of financial instruments and cash. The expected end result is an overall reduction of the transactions to be settled compared with the previously applicable system, with a consequent expected cost reduction for the entire clearing and settlement platform.

4. Late Delivery of Securities or Equivalent Securities.

Although the Express II platform has changed in its entirety the old settlement mechanism that provided for the imposition by the Bank of Italy of non-negligible fines for delayed or failed delivery, Italian market participants have deemed it necessary to provide that, in case a party has failed to deliver Securities or Equivalent Securities under the Agreement, the non-Defaulting Party is entitled to recover all the costs associated with the termination of the Transaction, including those imposed by the Domestic Settlement Services Provider in consultation with the Bank of Italy and Consob as a result of the failure.

As an alternative to terminating the Transaction, the non-Defaulting Party may elect to “roll over” the Transaction in whole or in part. This is achieved by terminating the original transaction and entering into a replacement transaction. The pricing rate for the replacement transaction is minus five percent., unless the parties agree otherwise.

5. Withholding Tax

Under Italian tax laws, a withholding tax may apply *inter alia* on the income derived by non-Italian resident investors as a result of Transactions in Purchased Securities, whether or not the Purchased Securities qualify as Domestic Purchased Securities, where the income has an Italian source (broadly, where the seller is tax resident in Italy or is acting through a permanent establishment in Italy). The Italian tax laws provide for a domestic exemption whereby no such Italian withholding tax applies on the income derived by certain non-Italian resident investors in certain specific circumstances. Parties should take their own advice as to whether the income derived by non-Italian resident investors is subject to withholding tax in Italy.

The 2011 version of the Italian Annex does not include any specific provision to govern this matter. Accordingly, the matter is governed by the general provision under Paragraph 6(b) of the Agreement whereby the payer of the income (i.e. the Seller) “unless otherwise agreed” has the obligation to gross up in respect of any withholding or deduction for any taxes or duties of whatsoever nature (including interest and tax penalties). The provisions of the 2011 version of the Italian Annex in that respect are therefore designed to be more consistent with the provisions of the Agreement.

Income Payments Under Italian tax laws, a withholding or substitute tax may apply on coupons payable on bonds and other debt securities issued by Italian issuers, whether or not such securities qualify as Domestic Purchased Securities. The Italian tax laws provide *inter alia* for a domestic exemption whereby no such Italian withholding or substitute tax applies on coupons derived by certain non-Italian resident investors in certain specific circumstances. Parties should take their own advice as to whether coupons derived by non-Italian resident investors are subject to withholding or substitute tax in Italy.

The 2011 version of the Italian Annex does not include any specific provision to govern this matter. Accordingly, the matter is governed *inter alia* by the general provision under Paragraph 5 of the Agreement “unless otherwise agreed”. The provisions of the 2011 version of the Italian Annex in that respect are therefore designed to be more consistent with the provisions of the Agreement.