## Description of the risks, timeframes and costs involved in staking

### 1. Description of the staking service

Staking is an activity whereby the User allocates a specific amount of crypto-assets, based on Proof of Stake consensus mechanisms, in order to participate in the process of validating transactions on the relevant *blockchain*. In return for such participation, the User may receive rewards in the form of additional crypto-assets.

The Company offers the staking service exclusively in relation to the crypto-assets and *blockchains* specifically indicated on the Platform. The list of crypto-assets eligible for staking may be updated periodically by the Company, subject to prior notification to Users.

The Company does not provide staking services for *liquidity pools* or decentralised finance (DeFi) mechanisms that do not follow the Proof-of-Stake (PoS) validation model.

***Crypto-assets eligible for staking and applicable fees***

As at the date of this Agreement, the crypto-assets for which the staking service is available and the relevant fees charged by the Company on rewards are as follows:

- Ethereum (ETH): a fee of 20% on rewards;
- Cardano (ADA): a fee of 20 per cent on rewards;
- Polkadot (DOT): a fee of 20% on rewards;

2. BHP: fee on rewards of 0%. **Timing of staking operations**

***Activation of staking***

Staking is activated within a period that varies depending on the specific *blockchain*, generally between 1 and 30 days from the User's confirmation of the instruction. The actual timescales depend on the technical characteristics of the relevant protocol and any activation queues on the network.

***Lock-up period***

Some crypto-assets held in staking are subject to a *lock-up* period during which they cannot be transferred or withdrawn. The duration of *the lock-up* varies depending on the *blockchain* protocol and is indicated on the Platform before the User signs up. During the *lock-up* period, the crypto-assets remain locked and are not available for other transactions.

***Unstaking and unbonding period***

A request to stop staking (*unstaking*) triggers an *unbonding* period, i.e. a period during which the crypto-assets cease to generate rewards but are not yet available for transfer or withdrawal. The *unbonding* period generally ranges from 1 to 28 days depending on the *blockchain* protocol used. The specific timescales are indicated on the Platform.

***Crediting of rewards***

Rewards from staking are credited to the User in accordance with the timing specific to each *blockchain* protocol. Credits may be made on a daily, weekly or other basis specific to the protocol. The methods and timing of crediting are indicated on the Platform.

## 3. Staking Transaction Fees

***Company Fees***

The Company applies a commission on the rewards generated by staking; the percentage rate is indicated on the Platform and may vary depending on the specific crypto-asset. Rewards are credited to the User net of this commission.

***Network fees (gas fees)***

Staking, *unstaking* and reward transfer transactions may be subject to network fees (*gas fees*) charged by the relevant blockchain. These fees vary depending on network congestion at the time of the transaction and are borne by the User.

***No hidden costs***

There are no additional costs other than those indicated in this Annex and on the Platform. Any changes to the financial terms and conditions will be communicated to the User in advance.

The specific fees applicable to each crypto-asset eligible for staking, any minimum participation thresholds and estimates of expected rewards are published and updated periodically on the Platform in the section dedicated to staking.

## 4. Risks associated with staking

The User acknowledges and accepts that staking operations involve specific risks, in addition to those associated with holding crypto-assets. Before joining the staking service, the User must carefully read and understand the following risks:

***Risk of slashing***

In some PoS protocols, staked crypto-assets may be subject to penalties (*slashing*) in the event of misconduct or malfunctions of the validator node. *Slashing* may result in the partial or total loss of staked crypto-assets. The Company takes technical and operational measures to minimise the risk of *slashing,* although this risk cannot be completely eliminated.

***Risk of illiquidity***

During *lock-up* and *unbonding* periods, staked crypto-assets are not available for transfer, sale or other transactions. The User may not be able to access their crypto-assets when needed or when market opportunities arise.

***Risk of value volatility***

The value of staked crypto-assets may fluctuate significantly during the staking period. The rewards earned may not offset any loss in value of the underlying crypto-assets. The User may incur losses even where positive rewards are received.

***Risk of changes in rewards***

Staking rewards are not guaranteed and may vary over time depending on a number of factors, including: the conditions of the *blockchain* protocol, the number of staking participants, network *governance* decisions and any technical changes to the protocol. The yield estimates shown on the Platform are for guidance only and do not constitute a promise of yield.

***Technological and protocol risk***

Staking operations depend on the proper functioning of the underlying *blockchain* protocol. *Bugs*, vulnerabilities, cyber-attacks, *hard forks* or other technical changes to the protocol may adversely affect staking, rewards or the availability of crypto-assets.

***Counterparty risk***

Although the Company takes all security and operational measures required by applicable legislation, the User is exposed to the risk that any breaches, malfunctions or adverse events affecting the Company or its technology providers may impact staking operations.

***Regulatory risk***

Changes to the legal and regulatory framework applicable to crypto-assets and staking services could result in restrictions, prohibitions or amendments to the terms of service, which may also affect ongoing transactions.

***Tax risk***

Rewards derived from staking may be subject to taxation in accordance with applicable legislation. The User is responsible for fulfilling any tax obligations relating to the rewards received and is advised to consult a qualified tax adviser.

## 5. Measures adopted by the Company

The Company implements technical and organisational measures designed to minimise the risks associated with staking operations, including:

(i) the selection of reliable validators with proven experience;

(ii) continuous monitoring of the performance of validator nodes;

(iii) the implementation of *alert* systems for operational anomalies;

(iv) diversification across multiple validators where technically feasible;

(v) incident management procedures and business continuity plans.

The Company constantly monitors the *blockchain* protocols used for staking and reserves the right to suspend or discontinue the service for certain crypto-assets should significant risks to the security or integrity of operations arise.

**6. Disclosure and transparency**

The information contained in this Annex B, together with specific details relating to each crypto-asset eligible for staking (timelines, costs, estimated rewards, specific risks), is published and made available in a clear and comprehensible manner on the Company's *website* at https://www.cryptosmart.it, in the section dedicated to staking services.

The Company undertakes to keep this information on *the website* up to date and to promptly notify Users of any significant changes to the terms and conditions of the staking service, the associated risks or the eligible crypto-assets.

Users may at any time view on the Platform the details of their staking positions, the status of transactions, the rewards accrued and credited, as well as up-to-date information on applicable timescales and costs.

The User acknowledges that Staking rewards are not guaranteed and that the yield estimates shown on the Platform are for guidance only.

The User confirms that they understand that crypto-assets held in staking may not be immediately available due to applicable *lock-up* and *unbonding* periods, and that they accept this restriction.