

**INFORMATION ON THE BANK AND ITS SERVICES,  
ON THE SAFEKEEPING OF CLIENT ASSETS AND CLIENT FUNDS  
AND ON THE MANNER OF CALCULATION OF ALL COSTS, CHARGES AND FEES.  
SUSTAINABILITY PREFERENCES**

**I. INFORMATION ABOUT THE BANK AND ITS SERVICES**

**1. General Information**

Investment intermediary “DSK Bank” AD (“the Bank”) is registered in the Commercial Register and the register of non-profit legal entities at the Registry Agency with UIC 121830616. The registered office and address of the Bank is Sofia, 19 Moskovska Str.

The clients may contact “DSK Bank” AD in relation to the investment services and activities provided, on the following phones: +359 2 80 10 862, +359 2 93 91 364, +359 2 93 91 365, +359 2 93 91 126, +359 2 93 91 130, +359 2 93 91 133, +359 2 97 66 232, +359 2 97 66 233, +359 2 97 66 234, +359 2 97 66 236, as well as by e-mail: [Treasury.Sales@dskbank.bg](mailto:Treasury.Sales@dskbank.bg). The Clients may also visit the head office of the Bank, located at: Sofia, 5 Georgi Benkovski Str.

The Clients may make inquiries, keep correspondence, as well as receive documents and information, in Bulgarian and English.

The Bank operates as an investment intermediary on the basis of a license issued and updated by the Bulgarian National Bank (“BNB”) and decision of the State Securities Commission No 58/18.10.2000, currently the Financial Supervision Commission with address for correspondence: 1000 Sofia, 16 Budapeshta Str., for entry in the register of investment firms with registration No RG-03-193.

**2. Means of communication (maintaining contact) to be used between the Bank and the client, including ways of reception and transmission of client orders**

Except in expressly indicated in individual contracts with clients cases (in which the means of communication expressly specified there shall apply), the communication between the Bank and the client regarding contractual relations between them must be conducted in writing and will be deemed received if sent by e-mail, fax, by personal delivery, by courier or by mail with receipt, and reaching the addresses of the parties specified in the relevant contract or by any other of the abovementioned means.

**3. Nature, frequency and periodicity of the service reports to be provided by the Bank as an investment intermediary to the client**

The Bank provides reports and additional information about the investment services and activities performed as specified in the General Terms and Conditions applicable to the contracts for the provision of investment services and activities to clients of “DSK Bank” AD (the “General Terms and Conditions”) in accordance with the procedure specified there and in accordance with the clauses agreed in the respective contract.

The Bank provides confirmations of the transactions in financial instruments carried out, in accordance with the requirements of the applicable legislation, the contract with the client and the General Terms and Conditions applicable to contracts for the provision of investment products and activities. The Bank shall immediately provide the client on a durable medium with the basic

information regarding the execution of the order. In addition to the basic information, the Bank sends a confirmation on a durable medium to the client confirming the execution of the order no later than the end of the next business day after execution and containing the information required by the applicable legislation.

#### **4. Method to compensate investors in financial instruments**

Pursuant to Art. 77a of the Public Offering of Securities Act (“POSA”), an Investor Compensation Fund in Financial Instruments was established. The Fund shall provide compensation to the clients of the investment firms if they are unable to fulfil their obligations to clients for reasons directly related to their financial situation and subject to the conditions under Art. 77b of POSA, namely:

1. Upon opening of insolvency proceedings of the investment firm;
2. In case of withdrawal of the license/authorization to operate as an investment intermediary (in cases defined in the Markets in Financial Instruments Act and the Credit Institutions Act);
3. Where decision of the Financial Supervision Commission (“FSC”) has established that the following conditions are:
  - a) financial instruments and/or funds held by the investment firm on behalf of its clients are not available in the relevant accounts for reasons other than the performance of contractual relations with clients;
  - b) at the discretion of the FSC at that time, the investment firm is unable, for reasons directly related to its financial position, to repay the funds to clients, recover the financial instruments accordingly and will not be able to do so in the short term.

The Fund shall pay compensation pursuant to Art. 77d, para. 1 of POSA to each client of the investment intermediary at the amount of 90 percent of the value of the claim, but not more than BGN 40,000.

No compensation shall be paid to the persons under Art. 77d, para. 2 of POSA, including clients who are professional clients within the meaning of the Markets in Financial Instruments Act (“MFIA”) or those referred to in Art. 77d, para. 2 of POSA close to the investment firm.

#### **5. Measures applied to prevent conflicts of interest**

The Bank shall implement a Conflict of interest policy for investment and additional services of Bank DSK AD which ensures fair and equitable treatment of its clients in the provision of investment services and activities by the Bank and which aims at preventing, identifying and managing potential conflicts of interest that may arise between it, persons involved in the provision of investment services and activities on its behalf, and the persons associated with it through control – on the one hand – and its individual clients on the other, as well as between the clients of the Bank.

Any actual or potential conflict of interest that may lead to adverse effects on the customer may be regarded as a conflict of interest. The Bank shall treat as a conflict of interest the following cases in which the Bank or a person in contact with the Bank:

- a/ financial gain or avoid financial loss to the detriment of the client. Such a conflict of interest could occur when trading the Bank on own account outside a trading venue where the Bank is a counterpart to the client in a particular transaction;
- b/ has an interest in the outcome of a service provided to the customer or has an interest in a transaction executed on behalf of the client that is of interest different from that of the client. Such

a conflict of interest could occur if the Bank executes a large order of a client, contrary to current market conditions, dividing it into several different transactions, for each of which receives a written commission.

c/ interest in the same transaction with the client. Such a conflict of interest could occur in the provision of order execution services in the event that the Bank chooses to execute its own trading order previously to its client, even though it has decided to do so only after the client order has been received.

d/ has an interest in pre-protecting the interests of another client or client group relative to the interest of the client. Such a conflict of interest could occur when two clients submit orders with the same characteristics and the client who has submitted an order later is a related person with the Bank.

e/ may receive from a third party in connection with the provision of the service to the client outside the publicly announced commission, fee for the product or service, other material or intangible remuneration. Such a conflict of interest could occur in the provision of investment advice by the Bank to its clients on an investment product when part of the price paid by the client to its creator is returned as a commission to the Bank.

In order to neutralize similar and other conflicts of interest which create a risk of damaging the interest of a client, the Bank shall implement a system of measures to identify and prevent conflicts of interest and, where this is inevitable, as a last resort, to disclose to the client on a durable medium the general nature and/or sources of conflicts of interest and the measures taken to neutralize or mitigate those risks, before taking further action to provide investment services in order for the client to take an informed decision.

The system of measures to prevent conflicts of interest includes:

1. Organizational structure – provides the necessary separation of structural units with responsibilities in relation to investment activities, their independence and a clear allocation of functions and responsibilities, in accordance with the requirements of the applicable legislation. There is separation/physical separation of the organizational units dealing with financial and investment services in order to ensure their independent activity.

2. Functional rules and procedures – fully regulate the functions of the structural units and the specific actions carried out between them, including exchange of information in relation to the provision of investment services. For this purpose, the Bank has adopted and applied rules on the use of inside information and the prevention of market abuse, rules on personal transactions concluded by its employees, rules excluding a direct link or a link between the remuneration of employees performing in the framework of the investment services activity and ancillary services tasks that may give rise to a conflict of interest. The Bank also implements a Client Order Execution Policy, which provides for measures for the fair determination of the price of products in transactions concluded outside a trading venue, the execution of orders in the order of their receipt, etc.

3. Special rules for the prevention and treatment of conflicts of interest and for the protection of the commercial secrecy of clients, which specify the regulatory obligations of the Bank and determine the procedure for resolving situations where there is a suspicion of a conflict of interest or where the occurrence of such a conflict is inevitable. Specific rules and policies shall also lay down internal information exchanges and notification regimes, as well as the specific obligations of the Structural Units relating to the prevention and treatment of conflicts of interest, in accordance with the requirements of the applicable legislation. For this purpose, the Bank has adopted and applied conflict of interest rules and Rules of Conflict of Interest of DSK Bank as an investment intermediary.



4. Ensuring an effective and continuous system for monitoring, analyzing and evaluating the compliance of the existing internal organization, rules and procedures with the requirements of the Markets in Financial Instruments Act and its implementing acts, as well as taking measures to optimize them. For this purpose, rules on the compliance and internal control of investment activities have been adopted and applied.

5. The Bank has also established a system of effective and continuous internal control of individual units and employees with responsibilities for carrying out the investment activities in the Bank, in accordance with the adopted rules and procedures. To this end, the Internal Investment Control Unit carries out constant monitoring and control over the investment activities carried out.

**Upon client's request, the Bank provides additional details about the rules and the Conflict of Interest Policy for investment and additional services of DSK Bank.**

## **II. PROTECTION OF FINANCIAL INSTRUMENTS AND FUNDS**

When holding assets of its clients in connection with the provision of investment and/or additional services and activities under Art. 6, para. 2 and 3 of MFIA, the Bank stores with it the funds of the clients when they have concluded a current account contract with it. The Bank stores the financial instruments of its clients with a sub/depositary of personal client accounts, in a common client sub-account to its account (omnibus account) and on accounts opened to the account of third parties, under conditions and in order corresponding to the legislation in force.

The client should bear in mind that, depending on the specifics of the financial instruments held by the Bank for him, the accounts containing these financial instruments may be subject to the legislation of a jurisdiction other than the Bulgarian or that of another Member State of the European Union. Therefore, the client's rights in relation to these instruments may differ from those provided by the Bulgarian or the legislation of another Member State of the European Union.

When concluding a contract with a foreign sub/depositary for the storage of financial instruments of its clients, the Bank shall take into account the legislative framework and established market practices in the jurisdiction of that sub-depositary, which are related to the storage of client assets and could adversely affect the rights of clients (e.g. the establishment of bets and other burdens on client assets, vulnerability of the assets of the Bank's clients in the case of insolvency of the sub-depositary). To the extent possible, it shall select such depositary institutions which do not require the establishment of protective rights in respect of financial instruments, as well as retention and offsetting rights on client assets, to enable that sub-depositary to dispose of the client's assets in order to collect debts unrelated to the client or the provision of services to the client. The Bank shall also take into account the market reputation of the foreign sub-depositary concerned in order to minimize the risk of loss or reduction of its clients' assets as a result of factors not derived from the law applicable to the activities of that foreign sub-depositary, such as fraud, mismanagement, inappropriate record keeping and retention, etc. Where the contract provides that the foreign sub-depositary will be able to store assets of clients of the Bank in other sub-deposits designated by it, the Bank shall monitor, as far as possible, those factors and in the jurisdiction of the other sub-depositaries concerned.

When the Bank stores financial instruments of its clients on client omnibus accounts, it shall take measures consistent with applicable law, good market practices and the care of the good depositary to protect those instruments from retention or sale for the purpose of fulfilling obligations not related to a client or the provision of services to that client by ensuring an immediate and complete demarcation of the client's assets prior to any action. actions for the exercise of contractual or regulatory rights over stored financial instruments by the relevant depositary institution.

The Bank shall monitor on an ongoing basis whether its chosen foreign sub-depositaries continue to ensure secure storage conditions for the assets of its clients in accordance with applicable law, good market practices and due diligence. Although the Bank takes due care of the security of these instruments in the storage of client financial instruments with third parties, including client sub-accounts and client omnibus accounts, the possibility of possible insolvency of the selected third party cannot be ruled out. In such a case, the bank's clients should take into account that due to the applicable legislation in the jurisdiction of the depositary concerned, it is possible that their financial instruments held with it on behalf of the Bank may not be separated from those of other clients of the Bank and/or the insolvency estate and therefore may not be subject to special protection. The holding of client financial instruments on client omnibus accounts of the Bank may also make it difficult for them to access an investor compensation system corresponding to that described in Section I of this Annex.

The Bank's clients should keep in mind that the holding of financial instruments on omnibus accounts is accompanied by other shortcomings. It may, for example, make it more difficult to distinguish a client's financial instruments from those of other clients of the Bank. This may result in a risk of fulfilling one client's obligations with financial incentives to another. Holding client financial instruments in a common bank account may also complicate the exercise of rights in relation to corporate events arising from such instruments by a client.

In order to avoid the above shortcomings, the Bank maintains and maintains analytical reporting on the client's stored financial instruments, allowing it at any time to individualize and separate them from the Bank's own assets and from the assets of its other clients.

The clients of the Bank should bear in mind that when their financial instruments are held by a third party on behalf of the Bank, the Bank is responsible for the actions and omissions of the respective depositary institution – a third party in accordance with the general principles of civil and legal liability. However, the Bank is not responsible for the actions and omissions of the respective central depositary of financial instruments of its clients.

The Bank shall also inform its clients that the depositary institution in which the Bank holds their financial instruments has no vested interests, retention rights or set-offs on client assets held in individual and/or omnibus client sub-accounts with it. The precautionary interest of the Bank and the rights to client assets are regulated in the respective contract for the provision of investment services and activities.

### **III. METHOD OF DETERMINING ALL COSTS, CHARGES AND FEES**

For the investment and additional services and activities performed by the Bank under contracts concluded with clients, clients owe fees and commissions in the amount specified in the Tariff for fees and commissions of DSK Bank, in its part on transactions in financial instruments (the “Tariff”). Fees are paid in BGN. Where a part of the costs and fees represents an amount in foreign currency, the Bank shall indicate the respective currency, the applicable exchange rates and the costs of the exchange of the amounts due in BGN using the “buy”/“sell” rate of the Bank for the respective day, unless otherwise agreed between the parties.

The specific amount of fees and commissions shall be indicated when accepting the relevant order to carry out a transaction in financial instruments or in the relevant contract for the performance of an investment service or activity. Where the Bank recommends or advertises certain financial instruments or if, under applicable law, it is required to provide its clients with a key information document (KIID) or a key investor information document (IID) in relation to the financial instruments concerned, it shall provide them, on an annual basis, with aggregated information on all costs and charges relating to both the financial instruments concerned, investment and ancillary services provided by the Bank in connection with them.

Fees and commissions shall be paid in advance or upon submission of an order to carry out a transaction in financial instruments or otherwise agreed in the relevant contract. The fees and commissions of the transaction shall be communicated to the client upon submission of an order.

The method of payment is agreed in the contract for the provision of a specific investment service between the Bank and the client.

#### **IV. DESCRIPTION OF HOW SUSTAINABILITY RISKS ARE INTEGRATED INTO INVESTMENT DECISIONS IN PORTFOLIO MANAGEMENT AND IN PROVIDING INVESTMENT ADVICE**

The term ‘sustainability preferences’ means a client’s or potential client’s choice as to whether and, if so, to what extent, one or more of the following financial instruments shall be integrated into his or her investment:

(a) a financial instrument for which the client or potential client determines that a minimum proportion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council;

(b) a financial instrument for which the client or potential client determines that a minimum proportion shall be invested in sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council;

(c) a financial instrument that considers principal adverse impacts on sustainability factors where qualitative or quantitative elements demonstrating that consideration are determined by the client or potential client.

When a Client informs the Bank that it has sustainability preferences, but does not indicate preferences for certain instruments under Art. 2, item 7 of Delegated Regulation (EU) 2017/565, the Bank will consider the Client to be neutral in terms of sustainability. In these cases, the Bank will not recommend to this Client products that have sustainability characteristics. At the request of the Client, the information on sustainability preferences can be updated.

The Bank integrates sustainability risks into the investment decision-making process in portfolio management and in providing investment advice in relation to the services provided under Art. 6, para. 2, item 4 and 5 of the Markets in Financial Instruments Act (portfolio management and investment advice).

As a result of an assessment of the likely impact of sustainability risks on the return on financial products related to the services it provides, the Bank has agreed to comply with a policy on integrating sustainability risks into its investment decision-making process and in providing investment advice. The policy describes which major adverse effects of investment decisions on sustainability factors the Bank reports on the provision of services investment advice and portfolio management of a client.

The Bank shall publish and maintain on its website disclosure in relation to the sustainability risk integration policy, which shall also contain a description of the main adverse effects on sustainability factors that can be taken into account when making investment decisions in relation to the provision of investment advice and portfolio management to a client. The Bank shall include in the disclosure a summary of the policy of engagement applied and compliance with internationally recognised due diligence and reporting standards laid down in European Union law.

According to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of sustainability information in the financial services sector (Regulation (EU) 2019/2088), a client's portfolio managed by the Bank is considered a financial product. The Bank does not provide the potential clients of the portfolio management service with



pre-prepared portfolio strategies, but applies an individual approach depending on the suitability of the portfolio management service is relevant and suitable for the client. Before structuring each portfolio (financial product), the Bank shall take into account the client's investment objectives, including the client's preferences in terms of environmental, social and management factors. Where the client has stated the preferred managed portfolio (financial product) to include incentives for environmental performance, the Bank shall disclose information on the environmental purpose or environmental objectives to which the investment underpins the financial product contributes and a description of how and to what extent investments in the underlying financial product are in economic activities that qualify as environmentally sustainable. In this respect, a managed portfolio (financial product) may follow the principle of “for non-material damage”, as defined in Art. 2a of Regulation (EU) 2019/2088. The principle of 'non-significant damage' applies only to those investments underlying the financial product that comply with the EU criteria for environmentally sustainable economic activities. Investments underlying the rest of this financial product do not comply with EU criteria for environmentally sustainable economic activities.

When providing investment advice and managing a portfolio of financial instruments and/or funds, the Bank shall take into account client preferences in terms of environmental, social and good governance incentives to be taken into account. Investment advice provided and client portfolios managed by the Bank do not include incentives for environmental and/or social and/or good governance characteristics, unless a client explicitly states such a preference.

This information has been prepared in compliance with the requirements of the Markets in Financial Instruments Act, Ordinance No 38 of 21.05.2020 on requirements for the activity of investment firms, Ordinance No 58 of 28.02.2018 on requirements for protection of client financial instruments and funds, product management and provision or receipt of remuneration, commissions, other monetary or non-monetary benefits, Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and definitions for the purposes of that Directive and their implementing acts, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of sustainability information in the financial services sector, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 and other applicable acts of national and European law, management of the activities of DSK Bank AD in its capacity as an investment intermediary.

## **V. INFORMATION TO CLIENTS ABOUT THE PURPOSE OF THE APPROPRIATENESS ASSESSMENT AND ABOUT THE EXEMPTION WHEN EXECUTION-ONLY**

According to the Markets in Financial Instruments Act (MFIA) when providing investment services other than investment advice or portfolio management, the Bank is obliged to ask the client or potential client to provide information on knowledge and experience in the investment field relevant to the specific type of investment service or product offered or demanded, so as to enable the Bank in its capacity as an investment intermediary to assess whether the investment service or product envisaged is appropriate for the client.

It is in the client's interest to provide accurate and complete answers to the questions asked by the Bank for the purpose of the appropriateness assessment.

The Bank will not be able to conduct appropriateness assessment to the client, respectively, it will not be able to provide the investment services or products offered or demanded, when the client does not provide the information requested or this information is insufficient.

The Bank will not conduct an appropriateness assessment of the client, respectively, it could provide the investment services or products offered or demanded:

- When the client is categorized as a professional or eligible counterparty, insofar as the Bank exercises its right under Art. 56, para. 1, subpara. 2 of Delegated Regulation (EU) 2017/565;
- For the services of accepting and forwarding instructions in relation to one or more financial instrument and/or execution of orders on behalf of clients, with or without additional services provided under the conditions of Art. 79, para. 5 of the MFIA (the execution-only exemption);
- In case of a sale of an investment product that amounts to a disinvestment by the client.

The bank provides its clients with advised and non-advised investment services. The main difference between the two types of investment services is the availability of a personalized assessment of which investment product or service is most relevant to you as an investor. In the case of advised investment services, the Bank, considering your financial situation and ability to bear risk, recommends the most suitable investment opportunities for your risk profile and personal investment goals. Advised investment services are investment advice and fiduciary management of an individual investment portfolio.

On the other hand, in the case of non-advised investment services, the Bank has no obligation to recommend a suitable investment product to you, but only to collect information about your knowledge and experience in the investment field, so that it can assess whether the investment product you have chosen is appropriate for you as a potential investor. A non- advised investment service is, for example, the execution of instructions in relation to one or more financial instruments. In the case of non-advised investment services, the Bank has no obligation to recommend the most suitable investment opportunities for you and your personal investment goals.

**банка ДСК**  
*Доверието е взаимно*