

Policy № 2 on DSK Bank's Engagement as an Investment Intermediary

I. General provisions and purpose

1. This Policy on the engagement of DSK Bank AD as an investment intermediary (the Policy) regulates how DSK Bank AD (the Bank) includes in its investment strategy its long-term engagement to joint stock companies, where it invests while providing the portfolio management service. This Policy reflects the requirements of Art. 75a of the Markets in Financial Instruments Act (MFIA) and Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement, as transposed in the Public Offering of Securities Act (POSA). The Policy applies to all investments in shares of companies domiciled in a Member State admitted to trading on a regulated market in a Member State, included in the portfolios of clients managed by the Bank ("companies where the bank invests"), "issuing companies").
2. Engagement and responsible investment, while providing portfolio management services, are an integral part of the Bank's investment approach. The Bank, in the best interests of the clients whose portfolios it manages, analyzes actively the companies where it invests on accounts of clients in order to meet the challenges in the field of environment, social policy and corporate governance. The goal of the Bank is to achieve a positive result from the investment in the long run, expressed both in increased market value of the shares and in realized current income (dividends), corresponding to the assumed risks. In carrying out its activities, the Bank follows the principle that active cooperation with issuing companies in view of improving sustainability and corporate behaviour, as well as increased shareholder engagement in corporate governance, are among the important factors that can contribute to the improvement of both the financial, and non-financial results of issuers, including also in regard to environmental, social and managerial factors.

II. Integrating the shareholder engagement in issuing companies when providing portfolio management services with the investment strategy

3. The goal of the Bank in carrying out the portfolio management activity is to ensure maximum increase in the value of the investments in portfolios that the Bank manages, while taking risk in accordance with the risk profile, investment strategy and the restrictions on the client and his/her portfolio, as well as in accordance with the type, characteristics and category of this client. To achieve this in the medium and long term, the Bank applies this Engagement Policy by:
 - 3.1. monitoring the relevant business aspects of the companies where it invests, including strategy, financial and non-financial results, and risk, capital structure and social impact, environmental impact and corporate governance, as follows:
 - 3.1.1. analysing their regular financial statements;
 - 3.1.2. using public analyses of third parties;

Policy № 2 for engagement of DSK Bank AD in its capacity of investment intermediary

- 3.1.3. monitoring public information in specialized platforms for news and analysis, news agencies/websites, on the websites of the companies where it has invested, etc.;
 - 3.1.4. monitoring price information on the shares of the companies where it has invested in specialized platforms, on the website of the Bulgarian Stock Exchange AD, and in other similar sources;
 - 3.1.5. monitoring information on corporate events;
 - 3.1.6. monitoring the disclosure of regulatory and internal information, as well as any other information that the company is obliged to disclose.
- 3.2. Communicating with the companies where it has invested, as follows:
- 3.2.1. participating in investor meetings organized by these companies;
 - 3.2.2. if necessary, contacting the management of the issuing company, the director of investor relations or the employees or investor relations units, by holding meetings and talks (including remotely) on the business strategy of the company, its capital structure, financial results, etc.;
 - 3.2.3. if necessary, sending inquiries to the management of the issuing company, the director of investor relations or to employees or investor relations units, with specific questions about the operations, financial condition of the company, etc.
- 3.3. Exercising the voting right and other rights related to the shares of the companies where it has invested, and these actions shall be performed in accordance with the mandatory requirements of the Bulgarian legislation, the issuer's internal rules, and provided there is explicit authorization by the Bank's client, as required by law.
- 3.4. Upon receiving information about a forthcoming general meeting of shareholders, the Bank shall inform the respective client about this circumstance. Provided the client has authorized the Bank, and subject to the volume and scope of the power of attorney, the Bank shall examine the draft resolutions on the agenda items, and the submitted materials. If necessary, the relevant person stated in the invitation for this purpose shall be contacted, in line with the adopted procedure, additional information shall also be requested. In order to assess the position of the Bank in exercising its voting right, the Bank may carry out an analysis and evaluation of the respective issuing company.
- 3.5. In determining how the voting right shall be exercised, the Bank shall be guided by the following principles:
- 3.5.1. the voting right shall be exercised in accordance with the investment strategy and/or goals of the client, the set investment restrictions, as well as in accordance with the risk profile and other specific features of the managed portfolio;
 - 3.5.2. the voting right shall be exercised in the exclusive interest, for the benefit and in the protection of the rights and interests of the respective client;
 - 3.5.3. the voting right shall be exercised in a way preventing and/or managing any conflicts of interests that may arise while exercising the voting right, and all the clients of the Bank shall be treated on an equal basis. The interest of no client

may be preferred to the interest of any other client, and the interests of the clients shall take precedence over the interests of the Bank and/or persons working for it.

In case a client has given explicit instructions on how to vote on the respective items on the agenda of the forthcoming General Meeting, the Bank shall be obliged to comply with these instructions. The Bank may also use the services of authorized advisors to obtain studies, advice and recommendations as regards voting at the general meetings of companies admitted to trading on a regulated market.

3.6. Cooperating with other shareholders and communicating with relevant stakeholders in the companies where it invests.

The Bank may cooperate with other shareholders of the company where it has invested, when it deems that this is in the best interests of the clients whose portfolios it manages. In this regard, the Bank may take actions in a group with other shareholders and may participate in joint actions to protect the rights and interests of shareholders.

The Bank participates actively in joint initiatives of the Association of Banks in Bulgaria in order to improve and achieve a more responsible investment environment in the field of environment, social policy and corporate governance.

The main factors the Bank takes into consideration when deciding whether to participate in collective actions with other shareholders are:

- 3.6.1. whether and to what extent the goals of the group of shareholders coincide with the goals of the clients of the Bank, whose portfolios are managed;
- 3.6.2. whether and to what extent taking action in a group with other shareholders would be more effective than an individual action by the Bank;
- 3.6.3. whether and to what extent cooperation with other shareholders or taking actions in a group is lawful, [whether and to what extent] it does not contradict the internal regulations of the Bank, as well as its agreements with its clients, in relation to the provided portfolio management services.

3.7. Management of real and potential conflicts of interests related to the shareholding in the companies where it invests.

In applying the Engagement Policy, the Bank shall take care as a good trader and shall perform its obligations honestly, fairly, professionally, independently and only in the interest of its clients with whom it has a portfolio management agreement, avoiding the occurrence of any actual or potential conflicts of interests. The Bank's activities shall be organized in such a way as to minimize the risk of harming the interests of its clients due to conflicts of interests arising between the interests of the Bank and those of its clients, or between the interests of its individual clients.

However, potential or actual conflicts of interests may arise, therefore the Bank has adopted internal rules and procedures in view of avoiding conflicts of interests, and if they cannot be avoided - in view of identifying, managing and monitoring them. In any case, the Bank will treat its clients, to whom it provides the portfolio management services, fairly and on equal terms. In connection with the

management of the shareholding in the companies in whose shares it invests at the expense of the managed portfolios, the Bank assumes that a potential conflict of interests may arise in the following cases, the list being non-exhaustive:

- 3.7.1. existing business relations between the company in whose shares the Bank invests and the Bank, as an investment intermediary, or persons related to it;
- 3.7.2. the company in whose shares the Bank invests is a related party to the Bank;
- 3.7.3. the company in whose shares the Bank invests is a significant client of the Bank as an investment intermediary;
- 3.7.4. the investments at the expense of the managed portfolios are both in shares and in debt instruments of the same issuer;
- 3.7.5. members of the Management Board of the Bank or its employees are members of a management or supervisory body of a company in whose shares the Bank invests;
- 3.7.6. A client of the Bank as an investment intermediary is a significant shareholder and either alone or together with other shareholders submits a draft resolution on an agenda item at the General Meeting of a public company in whose shares the Bank invests at the expense of managed portfolios.

The Bank implements procedures and measures to prevent and manage potential conflicts of interests in order to protect the interests of its clients. In case the applied rules on preventing and managing conflicts of interests are not sufficient, and there is a risk of harming the client's interests, the Bank will inform the respective clients about the general nature and sources of conflicts of interests, of the risks for the client and the measures taken to mitigate these risks so that the client, whose portfolio the Bank manages, can make an informed decision. In fulfilling its obligations under this Engagement Policy, the Bank shall apply all its internal rules applicable to the treatment of conflicts of interests.

III. Criteria for a minor vote

4. Pursuant to Art. 75a, para. 2, item 3 of MFIA, the Bank has a legal option to determine and apply criteria for minor voting considering the subject of the voting or the amount of the shareholding in the issuing company. This in mind and in compliance with the regulatory requirements, the Bank sets the following criteria for "minor voting":
 - 4.1. the amount of the shareholding in a given class of shares of the respective issuing company is less than or equal to 1% (one percent) of the issued shares of this class or
 - 4.2. when it is clear from the agenda of the forthcoming general meeting that the subject of the vote is related to procedural issues that do not substantially affect the operations of the company where the Bank has invested, and these issues have nothing to do with the subject of this Engagement Policy.

IV. Disclosure of information on policy implementation

5. The Bank publishes on its website - www.dskbank.bg, information on the implementation of this Engagement Policy, containing:
 - 5.1. general description of the voting method;
 - 5.2. explanation of the most important votes;
 - 5.3. information on the used services of an authorized advisor, if any;
 - 5.4. information on how the voting right shall be exercised in the companies where it has invested on accounts of clients whose portfolios the Bank manages, except in cases of minor voting according to the criteria specified in this Engagement Policy.
6. The information shall be updated annually and shall be published within three months after the end of the financial year when the voting right was exercised, and shall remain available on the Bank's website until the next update. Access to information is free.
7. In the annually published information on the implementation of the engagement policy, containing information on the exercise of the voting right and other rights arising from the shares in the companies where it has invested, the Bank, in compliance with Art. 75a, para. 3, item 4 of MFIA, takes into account the criteria for minor voting. The Bank shall assess whether any of the minor voting criteria, listed in the previous paragraph, exist for each individual General Meeting. In case any of these criteria are met, the Bank may not disclose information in its annual report on how voting rights were exercised.
8. The Engagement Policy, including its amendments and supplements, is published on the Bank's website - www.dskbank.bg.

The Engagement Policy is subject to review in the event of changes in any applicable regulations and as the case may require. In case it is established that any of the provisions of this Policy contradicts a law or a by-law, the provisions of the respective law or by-law shall apply.

FINAL PROVISIONS

- § 1. This Policy was adopted by decision of the Management Board № 300 of 14.12.2021 and enters into force on 01.01.2022.

The responsible organisational unit is the Global Markets Directorate.

Periodic reviews of the Rules have been performed for the purpose of updating:
On 31.03.2022 by *Andriyan Kayryakov – Expert Regulatory Compliance in “Business Development and Products” Unit, “Global Markets” Directorate*; next review date 31.03.2023;