

STATEMENT ON PRINCIPAL ADVERSE IMPACTS
OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Financial market participant "DSK Bank" AD, LEI 529900GEH0DAUTAXUA94

Summary

"DSK Bank" AD, LEI 529900GEH0DAUTAXUA94, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of "DSK Bank" AD (the Bank).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

The Bank has adopted Policy № 3 on the integration of sustainability risks in the investment decision-making and investment advice process (the Policy), which applies when providing the discretionary portfolio management investment service.

Sustainability risk means an environmental, social or governance event or condition (Environmental, Social, and Governance/ESG), which, if occurs, could cause an actual or a potential material negative impact on the value of the investment and/or the assets, financial and earnings situation, or reputation. As a responsible financial adviser and financial market participant the Bank puts particular emphasis on the social and environmental impacts of its financial instruments provided and/or recommended to customers, and in its own activities. The Bank follows best international practices on sustainability issues to implement and refine its approach to manage sustainability on highest level and to create partnership with customers to support the standards of sustainability.

The Bank's investment decision-making processes include all relevant risks, including sustainability risks that can have a significant negative impact on the return of an investment and on sustainability factors, as well. Sustainability factors include environmental, social and labour concerns, respect for human rights and the fight against corruption and bribery. DSK Bank AD has adopted its sustainability risk management policy that is considered during the investment decision-making processes.

The Bank considers sustainable investment as investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

According to Regulation (EU) 2019/2088 (SFDR) the portfolio managed by the Bank under the portfolio management service is considered to be a financial product. The Bank does not provide potential clients of the portfolio management service with pre-prepared portfolio models, but applies an individual approach depending on the extent to which the portfolio management service is suitable and appropriate for the client. Before structuring each portfolio (financial product), the Bank takes into account the client's investment objectives, including the client's preferences regarding environmental, social and governance factors. When the client has stated preferences the managed portfolio (financial product) to include promotion of environmental characteristics, the Bank discloses information on the environmental objective or environmental objectives to which the investment underlying the financial product contributes; and a description of how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable. In this regard the managed portfolio (financial product) may follow the principle of "do no significant harm", as defined in Art. 2a of Regulation (EU) 2019/2088 (SFDR). The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Description of the principal adverse impacts on sustainability factors

The Bank, when providing portfolio management service, under portfolio management agreement, considers the following principal adverse sustainability impacts, according to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports:

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions (GHG)	1.GHG emissions	Scope 1 GHG emissions	40 MT CO ₂ -eq/EVIC (MEUR)	40 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
		Scope 2 GHG emissions	50 MT CO ₂ -eq/EVIC (MEUR)	50 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
		Scope 3 GHG emissions	60 MT CO ₂ -eq/EVIC (MEUR)	60 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
		Total GHG emissions	150 MT CO ₂ -eq/EVIC (MEUR)	150 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
	2.Carbon footprint	Carbon footprint	150 MT CO ₂ -eq/EVIC (MEUR)	150 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
	3.GHG intensity of investee companies	GHG intensity of investee companies	1000 MT CO ₂ -eq/EVIC (MEUR)	1000 MT CO ₂ -eq/EVIC (MEUR)		Issuer monitoring
	4.Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1%	1%		Issuer monitoring
	5.Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable	100%	100%		Issuer monitoring

		energy sources compared to renewable energy sources, expressed as a percentage of total energy sources				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	800 MWh/Sales (MEUR)	800 MWh/Sales (MEUR)		Issuer monitoring
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	5 Number of Sites	5 Number of Sites		Issuer monitoring
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	10k MT	10k MT		Issuer monitoring
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	50k MT	50k MT		Issuer monitoring
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	0		Issuer monitoring
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for	0%	0%		Issuer monitoring

		Multinational Enterprises				
	12.Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	20%	20%		Issuer monitoring
	13.Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0%	0%		Issuer monitoring
	14.Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	0		Issuer monitoring

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15.GHG intensity	GHG intensity of investee countries	150 MT CO2-eq/EVIC (MEUR)	150 MT CO2-eq/EVIC (MEUR)		Issuer monitoring
Social	16.Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0		Issuer monitoring

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17.Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	1	1		Issuer monitoring
Energy efficiency	18.Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	1	1		Issuer monitoring

Other indicators for principal adverse impacts on sustainability factors						
Adverse sustainability impact		Adverse impact on sustainability factors (qualitative or quantitative)		Metric		
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water, waste and material emissions	13.Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	150k MT	150k MT		Issuer monitoring
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact		Adverse impact on sustainability factors (qualitative or quantitative)		Metric		
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	1.Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	0	0		Issuer monitoring
Description of policies to identify and prioritise principal adverse impacts on sustainability factors						
<p><i>The Bank is committed to implement all relevant issues in existing processes and its operation by executing and updating its policies to identify and prioritise principal adverse impacts on sustainability factors, in order to make its business – and those of the customers – more environmentally sustainable. DSK Bank’s PR and Communications Department is responsible for managing and coordinating corporate social responsibility operations.</i></p> <p><i>The governance and regulation of the various sustainability and ESG areas are implemented as follows:</i></p>						
Policy		Covered/affected sustainability factors		Procedure & date of approval		
Regulatory Compliance policy Anti-Corruption policy		<ul style="list-style-type: none"> ▪ consumer protection, ▪ responsible corporate governance, ▪ non-discrimination, ▪ anti-corruption (ABC) ▪ international sanctions requirements 		Approved by the Management Board on: 26.05.2020 26.05.2020		

Sanction Policy	<ul style="list-style-type: none"> ▪ business ethics, conflict of interest (incl. whistleblowing) 	27.01.2023
Code of Ethics	<ul style="list-style-type: none"> ▪ processing and protection of personal data 	2007
Data Protection policy	<ul style="list-style-type: none"> ▪ enforcement of consumer protection principles 	06.10.2021
Data Management Policy	<ul style="list-style-type: none"> ▪ reducing information asymmetry between customers and the bank 	09.06.2022
Security Policy – Rules For Bank Security	<ul style="list-style-type: none"> ▪ overall security, ▪ cybersecurity, ▪ protection against money laundering and terrorist financing 	Approved by the Management Board on 11.08.2020
HR strategy: Rules for Human Resource Risk Management and Human Resource Security Measures	<ul style="list-style-type: none"> ▪ diversity and equal opportunity ▪ health and safety 	Approved by the Management Board On: 24.02.2021
Governance Rules of DSK Bank		15.11.2021
Remuneration Policy for Employees Providing Investment and Ancillary Services	<ul style="list-style-type: none"> ▪ for staff engaged in the investment activity of the Bank 	Approved by the Management Board on 23.11.2021
Sustainability Risk Management Policy for Investments	<ul style="list-style-type: none"> ▪ sustainability risk 	Approved by the Management Board on: 21.01.2022
ESG Strategy of the Bank		July 2022

The responsibility for monitoring the implementation of the specified policies within the Bank's organizational strategies and procedures is mainly distributed among the units carrying out activities to bring the Bank's activity in line with regulatory requirements and responsible for risk management, with the auxiliary functions being distributed among most from the other units in the Bank, depending on the subject of regulation of the relevant internal regulatory act.

Waste management is one of the most important environmental issues, with people's health and the conservation of resources being the responsibility of every financial market participant and investment advisor.

The Bank is committed to and follows the principle of using all the equipment, devices and machines for the longest reasonably possible time. In addition to this, the Bank considers its employees as the greatest asset and therefore it is crucial to maintain a safe working environment. For these reasons the Bank focuses on the above additional indicators during its investment decision-making process when managing client portfolio.

The remuneration policy of the Bank is consistent with the integration of sustainability risks to the extent they are essential for the results of the provided services, respectively are relevant and of significant importance for remuneration determination in compliance with the long-term interests of the asset owners - clients under portfolio management contract.

Engagement policy

The engagement policy of the Bank also includes an assessment of the ESG risks and opportunities of the companies in which the Bank intends to invest or has already invested in relation with the provision of portfolio management service.

The Bank endorses sustainability through its engagement policy while monitoring investee companies on relevant matters, conducting dialogues with investee companies, exercising voting rights and other rights attached to shares, cooperating with other shareholders and communicating with relevant stakeholders of the investee companies.

More information on the engagement policy is described at the following location:

<https://dskbank.bg/en/individual-clients/fx-and-fx-derivative-products-trading/discretionary-portfolio-management>

References to international standards

The Bank takes actions to fully adhere to the following codes – international responsible business conduct frameworks:

- *United Nations Guiding Principles on Business and Human Rights;*
- *International Bill of Human Rights;*
- *The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work;*
- *OECD Guidelines for Multinational Enterprises.*

The Bank implements in its activity and ongoing processes at maximal extend OECD Due Diligence Guidelines for Responsible Business Conduct, as well as other internationally recognized standards for due diligence and reporting, which guarantee:

- *responsible business conduct - implemented in policies and management;*
- *identification and assessment of adverse impacts - in the activity, supply chain, business relationships, etc.;*
- *stopping, preventing or limiting adverse impact;*
- *tracking implementation and results;*
- *informing how impacts are addressed;*
- *provision of resources or cooperation in the elimination of adverse impacts.*

The indicators used to report the principal adverse impacts on the sustainability factors specified in the section "Description of the principal adverse impacts on the sustainability factors" are based on publicly disclosed data from the issuers. The source of this data is the Bloomberg platform, created and maintained by Bloomberg L.P. The Bank performs benchmarking of investee companies to measure adherence and compliance with specified codes of responsible business conduct and internationally recognized due diligence and reporting standards. The methodology of Bloomberg L.P. allows real-time access to coverage of over 15,000 public and private companies from around the world. The Bloomberg L.P. methodology aggregates data from various official data sources on the main adverse impacts of investee companies, presenting them in a summarized and processable form. As of the date of publication of this disclosure, no decision has been made for the Bank to use a forward-looking climate change scenario. An assessment and analysis is to be made in order to prepare a similar scenario for the Bank, which would be considered relevant to the Bank's activity as an investment intermediary in the provision of the portfolio management service.

The Bank monitors the above indicators and metrics during its investment decision-making process when managing client portfolio on the basis of sustainability data and principle adverse impact metrics.

Historical comparison

Date of publication: 21.01.2022

Date of the last update: 25.06.2024

Number of updates: 3