

STATEMENT ON PRINCIPAL ADVERSE IMPACTS
OF INVESTMENT ADVICES ON SUSTAINABILITY FACTORS

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

Summary

"DSK Bank" AD, LEI 529900GEH0DAUTAXUA94, considers principal adverse impacts of the provided investment advices 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. During this period the Bank didn't provide the investment advice service, so no indicator metrics for adverse impact on sustainability factors shall be indicated.

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 investment advice 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 of a supervised entity. 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 processes on providing investment advices in relation to the investment advice service includes 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 process for providing investment advices.

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 Bank is a financial adviser – credit institution, which in its capacity as an investment intermediary provides investment advices. The Bank does not provide potential clients of the investment advice service with pre-prepared personal recommendations, but applies an individual approach depending on the extent to which the investment advice service is suitable and appropriate for the client. Before composing each advice, 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, each provided advice to include promotion of environmental characteristics, the Bank discloses information on the environmental objective or environmental objectives to which the investment underlying the recommended instruments contributes; and a description of how and to what extent the investments underlying the recommended instruments are in economic activities that qualify as environmentally sustainable. In this regard some of the recommended instruments 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 recommended instruments that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the recommended instruments 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 the investment advice service, under investment advice 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
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions (GHG)	1.GHG emissions	Scope 1 GHG emissions	N/A	N/A	
		Scope 2 GHG emissions	N/A	N/A	
		Scope 3 GHG emissions	N/A	N/A	
		Total GHG emissions	N/A	N/A	
	2.Carbon footprint	Carbon footprint	N/A	N/A	
	3.GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	
	4.Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	
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 energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A		
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	N/A	N/A		
Biodiversity	7.Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive	N/A	N/A	

		areas where activities of those investee companies negatively affect those areas				
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A		
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	N/A	N/A		
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	N/A	N/A		
	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 Multinational Enterprises	N/A	N/A		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A		
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A		
	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	N/A	N/A		
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	N/A	N/A		
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	N/A	N/A		

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	N/A	N/A		
Energy efficiency	18.Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A		

Other indicators for principal adverse impacts on sustainability factors

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
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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	N/A	N/A		

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
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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	N/A	N/A		

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

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.

The governance and regulation of the various sustainability and ESG areas are implemented as follows:

Policy	Covered/affected sustainability factors	Procedure & date of approval
<p>Regulatory Compliance policy</p> <p>Anti-Corruption policy</p> <p>Sanction Policy</p> <p>Code of Ethics</p> <p>Data Protection policy</p> <p>Data Management Policy</p>	<ul style="list-style-type: none"> ▪ consumer protection, ▪ responsible corporate governance, ▪ non-discrimination, ▪ anti-corruption (ABC) ▪ international sanctions requirements ▪ business ethics, conflict of interest (incl. whistleblowing) ▪ processing and protection of personal data ▪ enforcement of consumer protection principles ▪ reducing information asymmetry between customers and the bank 	<p>Approved by the Management Board on:</p> <p>26.05.2020</p> <p>26.05.2020</p> <p>27.01.2023</p> <p>2007</p> <p>06.10.2021</p> <p>09.06.2022</p>
<p>Security Policy – Rules For Bank Security</p>	<ul style="list-style-type: none"> ▪ overall security, ▪ cybersecurity, ▪ protection against money laundering and terrorist financing 	<p>Approved by the Management Board on 11.08.2020</p>
<p>HR strategy:</p> <p>Rules for Human Resource Risk Management and Human Resource Security Measures</p>	<ul style="list-style-type: none"> ▪ diversity and equal opportunity ▪ health and safety 	<p>Approved by the Management Board On:</p> <p>24.02.2021</p>

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 ESG Strategy of the Bank	<ul style="list-style-type: none"> ▪ sustainability risk 	Approved by the Management Board on: 21.01.2022 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 the process of preparing and providing investment advices to clients.

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 the investment advice service.

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 - regarding 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 investment advice service.

The Bank monitors the above indicators and metrics during the process of providing investment advices on the basis of sustainability data and principle adverse impact metrics.

Historical comparison

Date of publication: 17.02.2023

Date of last update: 25.06.2024

Number of updates: 2