INFORMATION RELATING TO SUSTAINABILITY IN THE FINANCIAL SERVICES SECTOR PURSUANT TO REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 NOVEMBER 2019.

- In accordance with the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 regarding the provision of information in relation to the sustainability of the financial services sector, FACTORI AD publishes this Policy for integrating sustainability risks into the process of making investment decisions of II FACTORI AD, which includes:
- Information on the Policy for the integration of sustainability risks in the investment decision-making process of the PE.
- Information on whether or not adverse impacts of investment decisions on sustainability factors are taken into account when managing client portfolios and/or in the process of providing investment advice.
- The reasons for not taking into account the adverse impacts of investment decisions on sustainability factors at the present time.
- Information on how the Company's Remuneration Policy is aligned with the integration of sustainability risks.
- Disclosure, amendment and publication of this information.
- In this document, the following terms have the following meanings:
- Sustainability risk - an event or condition of an environmental, social or governance nature that, if it occurs, could cause an actual or potentially material negative impact on the value of the investment.
- Environmental risk - risk that investment returns may be negatively affected by environmental factors, including factors resulting from climate change and factors resulting from other environmental degradation.
- Social risk - risk where the return on investment can be negatively affected by social factors (eg, labor disputes).
- Management risk - risk where investment returns may be negatively affected by management factors (eg, transparent corporate structure).
- Sustainability factors - environmental, social and employee-related issues, as well as issues related to respect for human rights and the fight against corruption and bribery.
- Risk in sustainable investing - in the event that the respective portfolio applies strictly defined criteria for sustainability in its investment selection, it will incur a risk in sustainable investing. Accordingly, a potential investment target may limit exposure to companies, industries or sectors and may decline investment opportunities that do not meet its sustainability criteria.Съответно, може да бъдат реализирани по-слаби резултати в сравнение с други продукти, които не се опитват да инвестират въз основа на такива критерии.

Information on the Policy on the integration of sustainability risks in the investment decision-making process of PEs when managing portfolios and providing investment advice.

The purpose of this Policy on Integrating Sustainability Risks into the Investment Decision-Making Process (the Policy) is to regulate the manner in which the PE will integrate sustainability risks into the investment decision-making process when managing the portfolios of clients with whom it has concluded a contract for the management of portfolios of financial instruments, as well as in the process of providing investment advice.

II considers sustainability risk as an environmental, social, and governance (ESG) event or condition that, if it occurs, could have a material negative impact on the value and/or return on investment.

According to the definition in Article 2(17) of Regulation EU 2019/2088, "sustainable investment" means an investment in an economic activity that contributes to the achievement of an environmental objective, measurable for example by key resource efficiency indicators in terms of the use of energy, of renewable energy, of raw materials, water and land, efficiency in terms of waste generation and greenhouse gas emissions or in terms of impact on biodiversity and the circular economy, or investment in an economic activity that contributes to a social objective, in particular an investment which contributes to overcoming inequality or which promotes social cohesion, social integration and labor relations, or an investment in human capital or in economically or socially disadvantaged communities, provided that such investments do not significantly affect the achievement of any of the stated objectives, and the companies in which the investment is made, as follows and good management practices, in particular with regard to sound management structures, employee relations, staff remuneration and tax compliance.

Information on whether or not adverse impacts of investment decisions on sustainability factors are taken into account when managing portfolios and providing investment advice

II FACTORI AD does not take into account the adverse effects of investment decisions on the sustainability factors of clients' portfolios and when providing investment advice.

The reasons for not taking into account the adverse impacts of investment decisions on sustainability factors at the present time are the following:

- The applicable regulatory framework has not been completed. There are numerous European acts, adopted at different times, which are not consistent with each other, there are no technical standards adopted and entered into force for the content, methods and presentation of information under Regulation (EU) 2019/2088, through which possible adverse effects can be taken into account impacts of investment decisions and advice on sustainability factors.
- The specifics of the sectoral legislation in the provision of investment services are such that the II is guided by always acting in the best interest of the client, taking into account his risk profile and with a view to achieving the best possible return for the client at pre-set risk parameters, including risk diversification. Otherwise, it is possible for the II to be directed to claims for deterioration of

the quality of services, lost benefits as a result of incorrectly made investment decisions or provided investment advice.

- Currently, there are no regulated and generally available methods for disclosure in a comparable format by public companies regarding the presence or absence of ESG data, which would possibly provide an opportunity to form objective information about the sustainable factors or their absence in their businesses.

- The costs for the necessary administrative, technical and software provision, the consideration of ESG factors when making investment decisions and the management of the accompanying risks many times exceed the possible benefits for the investors and the potential income for the PE in view of the scale of the activity of the PE.

- The financial market does not have reliable data that can be used to confirm that an asset or product meets the three "sustainability" criteria. For example, the social criterion cannot be assessed as most accepted indices do not ensure that a company provides diversity or gender equality, nor do they ensure that a company does not use child labour.

- The potential effect of possible lost benefits as a result of decisions taken or advice provided for investments in the so-called more sustainable products should be quantified through detailed statistical analysis with a view to strictly complying with the investment policy and risk profile of the relevant portfolio of financial instruments, and achieving its objectives for an optimal return/risk ratio.

Information on how the company's Remuneration Policy is aligned with the integration of sustainability risks.

Currently, the PE does not take into account the integration of sustainability risks in the payment of remuneration (variable remuneration) to employees. The structure of variable remuneration is formed in such a way that it does not give rise to a conflict of interest and does not affect the independence of employees in approving a transaction or making investment decisions when consideration of sustainability factors is necessary**.**

Disclosure, amendment and publication of this information

This Policy has been published and is current as of 03/10/2021.
FACTORI AD intends not to comply with the requirements of Regulation (EU) 2019/2088 in the future as well, as it will begin to consider sustainability factors when making investment decisions immediately after the introduction of clear and precise criteria by all member states regarding the application of uniform standards for sustainable development when classifying financial products in order to guarantee the rights and interests of investors and transparency when providing information about the investment decisions taken, as FACTORI AD will announce on its website the possible future integration of sustainability factors in specific and predetermined criteria assessing sustainability risks and potential changes to current information in accordance with Regulation (EU) 2019/2088 and Regulation (EU) 2020/852.