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Sustainability Risk Integration Policy for Investment Decision-Making Process

In November 2019, the European Union adopted Regulation (EU) 2019/2088 of the European Parliament and of the Council on the disclosure of information on sustainability in the financial services sector ("the Regulation"), in order to increase transparency when informing end investors (Clients) of the impact of their investments on sustainable development and of the sustainability risks in the financial services sector.

The Regulation seeks to increase transparency in how financial market participants integrate long-term sustainable development, i.e. environmental, social, and governance criteria ("ESGs") in respect to the risks and opportunities from their investment decisions.

In compliance with the Regulation, PARTNERS INVESTMENTS, o.c.p., a.s. ("the Company") hereby discloses the following information:

1. Disclosure of the Information about the Sustainability Risk Integration Policy

When providing investment services, PI considers both the financial characteristics of assets and sustainability factors. Sustainability factors include environmental, social, and corporate and state governance issues. Those factors may affect portfolio performance and related risks.

Sustainable investing primarily factors in the following criteria:

E - Environmental factors, such as energy consumption, pollution, climate change, waste generation, conservation of natural resources, animal welfare;

S – Social factors such as human rights, prohibition of child and forced labor, community engagement, health and safety, shareholder and employee relations;

G - Governance factors such as management quality, executive board independence, conflict of interest, executive compensation, shareholder rights.

2. Characterizing Sustainability Risk

The Regulation defines a sustainability risk as: "An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment".

A sustainability risk means the risk of loss due to environmental, social, corporate or governance changes. Such changes may include acute or chronic climate changes, changes in customer and investor preferences, or legislative and policy decisions.

While sustainability factors are perceived as independent of the financial characteristics of assets,

they affect the returns and risks of client portfolios indirectly by increasing or decreasing the impact of standard types of risks – market risk, counterparty risk, liquidity risk, and operational risk.

3. Identifying Sustainability Risks

Environmental changes are manifested through physical or transient risks. Physical risks are basically the impact of chronic or acute events capable of causing, for instance, loss of corporate production, deterioration of working environment, or impairment of fixed assets. Transient risks affect the investment value mainly through changes in the political and legislative environment, such as increased tax on greenhouse gas emissions, changes in technologies where older production process types may reduce competitiveness, changes in consumer behavior due to changes in consumer preferences, and potential impacts on corporate reputation. The value of investments is also affected by social changes and changes in corporate governance, in particular through the impact of political and legislative environment changes and consumer behavior changes.

When deciding on investments, a portfolio manager not only assesses the risks from financial performance of issuers or from the overall macroeconomic situation and policies of relevant central banks, but also the risks arising from non-financial factors, such as environmental, social or governance events, or the administration and governance conditions of the issuer where the portfolio manager intends to invest. The Company therefore monitors these new strengthening trends and related regulatory developments, and assesses whether such events or conditions in the ESG area could have an adverse impact on the investment value and, if necessary, it also estimates the extent of such an impact.

4. Factoring in Adverse Impacts

To achieve specific ESG objectives, the Company has developed the following investment strategies: Conservative ESG, Balanced ESG, Dynamic ESG . The company, as defined in Article 4(1)(b) of the Regulation, does not have a direct explicit commitment to sustainable investments that comply with the SFDR. However, it monitors the "Carbon Intensity" indicator, which corresponds to the PAI indicator "Greenhouse Gas Intensity." The aforementioned investment strategies indirectly take into account adverse impacts on sustainability factors by considering the effects on the issuers of ETFs included in the investment strategy. "Pre-Contractual ESG Information Relating to Investment Strategies" details how adverse impacts are taken into account and the Company's approach to sustainability. The latest version is available at its website at www.partnersinvestments.bg, in the Documents/Important Information section (the Client Documentation section).

5. Remuneration Policy in Relation to Sustainability Risk Integration

Within its activities, the Company aims to create long-term value for all stakeholders and promote sound and effective risk management in relation to sustainability risks.

The Company´s remuneration policy does not encourage excessive risk taking in relation to sustainability risks. The Company´s remuneration policy is contained in the internal regulation "Remuneration Principles", which applies to all employees of the Company and cooperating persons in accordance with the legislation governing the financial market.

Selected key performance indicators form the basis of financial and operational remuneration targets at the corporate level. Where appropriate, these targets include sustainability-related performance indicators and they have been designed to avoid excessive sustainability risk-taking.

The Company's remuneration policy supports the appropriate management of all relevant risks, including sustainability risks. A sustainability risk refers to an environmental, social or governance event or condition that, if it occurs, may cause an actual or potential material adverse impact on the value of an investment.

In terms of remuneration, all employees may have to deal with sustainability risks. Risk indicators may be quantitative or qualitative, reflecting relevant environmental, social and governance aspects as well as major adverse impacts. They are set so that the remuneration structure does not encourage excessive direct or indirect sustainability risk-taking.

Designated employees are not supposed to be motivated to recommend or sell financial products or instruments (ESG or non-ESG) unless it is in the best interests of the client.

A variable remuneration component may be withheld or restricted if there is a significant sustainability risk.

6. Review and Update of the Sustainability Risk Integration Policy

The Company regularly reviews the Sustainability Risk Integration Policy. If the Company amends it, such changes will be published at www.partnersinvestments.bg along with an explanation of changes where applicable.

This version of the Risk Integration Policy supersedes the previous version of 10 March 2021 with the main reason for the change being the Company now taking into account the adverse impact of investment decisions on sustainability factors.

at Bratislava on 30 December 2022.