

## **Sustainability statement from Karoll Capital Management**

Karoll Capital Management has adopted a policy on the integration of sustainability risks in its investment decision-making process and accounts for principal adverse impacts of investment decisions on sustainability factors.

Karoll Capital Management carries out its activities in accordance with responsible investment and sustainability principles. We are long-term investors who believe that environmental, social and governance (ESG) factors may significantly affect the risk characteristics of an investment and thus its overall return. We believe that by incorporating these factors into our analysis, we can derive a much more precise fair value.

We have adopted UN Principles for Responsible Investing and therefore:

1. We incorporate environmental, social and governance criteria into investment analysis and decision-making processes.
2. We are active owners and incorporate ESG issues into our ownership policies and practices.
3. We seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We promote acceptance and implementation of the principles within the investment industry.
5. We work together to reinforce our effectiveness in implementing these principles.
6. We report on the activities we have undertaken and the progress of implementing these principles.

In accordance with sustainable investing principles, we apply a number of approaches ranked by importance in the following order:

- ❖ Negative screening - we exclude companies, which are included in EU or UN sanctions lists, are violating human rights or basic ethics, are known to have corruption practices, are operating in conflict regions, have material negative ecology impact, are generating the majority of their revenues from the tobacco or pornography sectors.
- ❖ Best-in-play principle – we invest in companies with the top ESG rank. We use ESG scores by external suppliers when accounting for principal adverse impact on sustainability as part of the investment process.

- ♦ For those companies that do not have an ESG score assigned by an external supplier, we conduct internal assessment.

Taking into consideration sustainability factors is an integral part of the investment process and their incorporation in the investment portfolios is a primary responsibility of financial analysts and portfolio managers while the Investment Committee controls for their observance. Sustainability factors are among the first filters narrowing the choice of companies in the investment process of the Asset Manager.

Currently a substantial part of the investments of the Asset Manager are in compliance with sustainability principles and we shall target full coverage in the medium term.

Karoll Capital Management has adopted codes for responsible business behaviour including the Ethical Code of the Bulgarian Association of Asset Management Companies, the National Corporate Governance Code of the National Corporate Governance Committee, as well as internationally recognized standards for due diligence and reporting. Karoll Capital Management is included in the global register of investment companies that have clearly demonstrated their commitment to United Nations Principles for Responsible Investment.

Karoll Capital Management has adopted and follows an active ownership policy as it views responsible investing as an integral part of the investment process. In doing so, the Asset Manager is actively seeking dialogue with the investee companies to address complex environmental, social and governance in the best interest of clients in the long term.

The Asset Manager collaborates with the companies in which it has invested in order to gain insight into significant issues such as business strategy, business model, capital structure, corporate governance that are likely to have a material impact on the long-term ability of the company to create value, as well as its social and environmental effects.