

Information within the meaning of Art. 75a, para. 5 of the Markets in Financial Instruments Act

On the basis of Art. 75a, para. 5, in conjunction with para. 1 of the Markets in Financial Instruments Act, at its meeting on 24.09.2020, the Board of Directors of IP Intercapital Markets AD decided not to adopt and approve an engagement policy in the investment firm for the following reasons:

According to the adopted amendments to the European legal framework, new requirements have been introduced in the Bulgarian legislation regarding the exercise of certain shareholder rights arising from voting shares in connection with a general meeting of companies having their registered office in a Member State and which shares are admitted to trading on a regulated market located or operating in a Member State.

In this regard is also the provision of Art. 75a, para. 1 of the MFIA requires investment firms providing a portfolio management service, which includes shares of companies established in a Member State which shares are admitted to trading on a regulated market, to adopt and publish an engagement policy and information on its implementation.

In this context, the investment firm should disclose the way in which participation in these public limited liability companies is integrated into an investment strategy in the management of clients' portfolios. At the same time, the provision of Art. 75a, para. 5 of the law provides the possibility of not accepting the policy thus described and giving reasons for taking such a decision.

In this sense, it should be noted that the reasons for the above mentioned changes are as follows:

- Shares of listed companies are often held through a complex chain of intermediaries, making it significantly difficult to exercise shareholders' rights and their ownership. In this sense, companies are often unable to identify their shareholders, which is a necessary condition for direct communication between shareholders and the public company;
- Actual and lasting shareholder engagement is a key moment in building the corporate governance model of companies which shares are traded on a regulated market. Active shareholder participation in corporate governance would improve both the financial and non-financial performance of companies;
- Institutional investors and asset managers do not actually provide transparency with regard to their investment strategies and engagement policy, and public disclosure of such information would have a positive impact on investor awareness, on their ability to optimize their investment decisions, and facilitate dialogue between companies and their shareholders.

Accordingly, when deciding not to adopt an engagement policy, the following facts and arguments were discussed and considered:

- In relation to the requirements of Section 4 of Delegated Regulation (EU) 2017/565 on the obligations of investment firms to provide information to their clients and specifically the clients whose portfolios the broker manages, IP Intercapital Markets AD provides each client with a periodic report, which according to the regulatory requirements is at least once a quarter. Despite the minimum term set by law, IP Intercapital Markets AD provides the required information to each client once a month or on request. This

ensures optimal transparency and direct access to information on portfolio assets, including and in respect of the client's shareholding in companies established in a Member State whose shares are admitted to trading in securities;

- The statutory rights of minority shareholders, such as the right to include issues on the agenda of general meetings and the filing of legal actions, are usually related to the existence of a minimum capital participation – the persons concerned should together or separately hold at least 5 percent of the capital of the public company;
- The exercise of voting rights and other rights related to the securities held on behalf and on behalf of the client whose portfolio is managed is related to participation in general meetings and the existence of explicit orders on the manner of voting (notarized power of attorney) due to the fact that in some depositaries the securities are registered precisely in the name of the client and not his investment intermediary;
- The State, in the face of its regulators, effectively regulates and controls the activities of investment brokers in order to protect the interests of investors in securities, create and maintain stability and confidence in the capital market. Supervision carried out by the Financial Supervision Commission shall cover the overall activities of investment firms, including investment services and client portfolio management activities.

On the basis of the above, the executive directors of IP Intercapital Markets AD have decided not to adopt an engagement policy at this time, and in case of change of relevant terms, the decision will be re-considered.