

**HOLD ASSET MANAGEMENT LTD****DISCLOSURE BY HOLD ASSET MANAGEMENT LTD****REGARDING ADVERSE SUSTAINABILITY IMPACTS****– ARTICLE 4 OF THE SFDR REGULATION –**

Date of publication:	10 March, 2021
Date of amendment	May 20, 2021
Date of amendment	15 June, 2021

1. General provisions, purpose of this Disclosure

By publishing this disclosure, **HOLD Asset Management Ltd** (registered office: H-1123 Budapest, Alkotás u. 50.; Company registration number: 01-10-044222; LEI code: 549300H60Y2DUDX1VM52) (hereinafter: **"Asset Management Company"** or **"HOLD"**) fulfils its obligation to publish a statement regarding the principal adverse impacts of investment decisions on sustainability factors as required under Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector¹ ("SFDR"), as follows:

HOLD's investments basically focus on the listed companies of Emerging Europe with the aim to deliver outstanding risk-adjusted returns to its clients. The portfolio managers follow an active strategy by relying on bottom-up, fundamental analyses and own evaluation models, and by integrating the macroeconomic opinion as well. HOLD believes that **proper corporate governance and responsible social and environmental activity by the analysed companies play an important role in long-term value creation**. The risks identified in the bottom-up, fundamental analysis process

HOLD is a signatory to the Principles for Responsible Investment (PRI) supported by the UN.

¹In order to ensure a high level of protection for clients and investors, the SFDR introduced a set of mandatory sustainability-related disclosure rules, aimed at achieving the following goals:

- integration of sustainability risks by the financial market players into their processes
- consideration of adverse sustainability impacts in the course of their investment processes
- transparent and comparable disclosure of sustainability information on the given financial product to enable investors to make informed investment decisions.

In consideration of its organisation's size, the nature, complexity and volume of its activities and the investment funds and portfolios it manages, HOLD, pursuant to Article 4(1)(a) of the SFDR, declares that it takes account of the principal adverse impacts on sustainability factors, as well as confirms that it has developed its Sustainability Policy and has integrated all processes into its internal policies that enable it to observe the principal adverse impacts along with the relevant financial risks and relevant sustainability risks.

In accordance with its above statement, HOLD publishes the following information pursuant to Article 4(2)(a)-(d) of the SFDR.

2. Description of principal adverse impacts on sustainability and the measures adopted to address them

Date of approval of the policy containing the procedure applicable to the principal adverse impacts on sustainability and the measures adopted to address them (for the purpose of this section: "Policy") by the Board of Directors of the Asset Management:

The Sustainability Policy approved by the Board of Directors of the Asset Management Company on 10 March 2021 includes a procedure that applies to the principal adverse impacts on sustainability and the measures adopted to address them.

Division of responsibilities in implementing the Policy:

The management body is responsible for the implementation of the Policy, with the involvement of the ESG Committee. The Supervisory Board is responsible for monitoring the activity of the management body in this respect in the long run.

For HOLD, its people, and the companies it targets with its investments represent the largest value. The Asset Management Company is committed to building honest and valuable work relationships and operates in the spirit of respecting equality. It optimises its resource use and minimises its negative impact on the society and the environment, by maximising its results.

Description of data sources used:

Information disclosed by the companies concerned is considered as primary data source, but this category also includes data and classifications disclosed by organisations performing ESG classifications. The Asset Management Company continuously reviews the quality of such data sources.

3. Brief summary of the Asset Management Company's long-term shareholder engagement policy

The long-term shareholder engagement policy of the Asset Management Company (for the purpose of this section: "Policy" or "Engagement Policy") is designed to lay down the rules of exercising the voting rights relating to financial instruments included in collective investment funds managed by



the Asset Management Company and in individual portfolios managed under Sections 6(1)(a) and 7(3)(a) of the Collective Investments Act, as well as to put in place provisions with regard to incorporating shareholder engagement into the investment strategy.

For the investment companies falling under the scope of the Engagement Policy, the Asset Management Company has established two different levels of engagement based on the ownership share and/or voting share in the investment company, and the relative volume of investment in the same.

	Share of investment is less than 1%	Share of investment ranges between 1% and 10%	Share of investment reaches 10%
Degree of influence is less than 5%	Basic shareholder engagement	Basic shareholder engagement	Basic shareholder engagement
Degree of influence ranges between 5% and 10%	Basic shareholder engagement	Basic shareholder engagement	Significant shareholder engagement
Degree of influence reaches 10%	Significant shareholder engagement	Significant shareholder engagement	Significant shareholder engagement

Basic shareholder engagement

In the case of investments falling into this category, the Asset Management Company is present as both financial and strategic investor but makes its investment decisions predominantly based on publicly available market information and analyses, and typically stays out of the daily operation of the investment companies. It takes part in strategic decision making by exercising its voting right on behalf of the funds and – if expressly instructed so by the owner of the individual portfolio – the individual portfolios through a proxy – in particular by authorising the depositary –, or in person through one of its employees working in asset management or its investment director. In view of the strategic importance of the Asset Management Company's voting power for companies in this category, and the weight of the share of the investment companies within the funds and/or individual portfolios, the Asset Management Company does not provide information about such votings on its website.

Significant shareholder engagement

For the investment companies falling into this category, the Asset Management Company acts by the following principles in the course of shareholder engagement.

a) Monitoring of the activity of investment companies

The Asset Management Company continuously monitors and analyses the business plan (business strategy), financial and non-financial performance (along with the corresponding risks) and the capital structure of issuers relating to the financial instruments granting voting rights in the specific collective investment funds and individual portfolios. The monitoring and analysis activity also covers the social and environmental impact as well as corporate governance events. In the course of this activity, it assesses the data disclosed by issuers and any other publicly available data, the result of researches conducted by the Company's analysts with regard to the market segment concerned by

the issuer's activity. Furthermore, the Company conducts discussions with the representatives of the issuers, performs modelling activity, and also assesses the analyses prepared by competitors. In addition to the foregoing, the Company monitors the activity of issuers by using the information made available at their places of announcement, and the information provided by issuers and depositaries, as well.

b) Dialogue with investment companies

The employees of the Asset Management Company working in asset management regularly attend events – in particular presentations, conferences and shareholder meetings – organised by investment companies for asset managers and other investors. Moreover, as the case may be, the Company's employees involved communicate with the issuer's contact persons/executive officers by phone and/or via e-mail.

c) Exercising of voting rights and other rights relating to shares

The Asset Management Company basically exercises its voting rights for the financial instruments existing in the collective investment forms it manages to implement the principle of uniform voting behaviour. However, if instructed by clients with individually managed portfolio, it can exercise the voting rights as the proxy of such clients at company events.

The Asset Management Company typically exercises the voting right on behalf of the investment fund managed through one of its employees working in asset management or its investment director, based on the authorisation provided by the Asset Management Company as the legal representative of the investment fund. The Asset Management Company shall be entitled to exercise its voting right through a proxy – primarily by means of an authorisation provided to the depositary – if necessary.

If the Company finds that the given proposals are neutral to/violate the interests of shareholders/owners, the Asset Management Company will abstain from voting/vote against the proposals.

The Asset Management Company exercises the voting rights at the annual general meeting and/or extraordinary general meeting of the investment company by taking full account of the interests of the given collective investment form, by observing the following aspects:

- Operation-related issues
- Operation of executive bodies
- Capital structure
- Remuneration system
- Social, environmental and ethical issues

The full version of the Policy is accessible at the website www.hold.hu, under the URL https://hold.hu/IR_Szerepvallalasi_politika_200901.pdf.

4. The Asset Management Company's compliance with codes of business conduct, internationally recognised standards, and its alignment with the targets of the Paris Agreement



In the course of its operation and governance, the Asset Management Company respects the key international conventions and special organisational arrangements, thus in particular the following:

- Charter of Fundamental Rights of the European Union
- Global Agreement of the United Nations
- Agreement of the United Nations on Sustainability Goals
- OECD Due Diligence Guidance for Responsible Business Conduct
- Ottawa and Oslo Conventions
- PRI declaration
- Framework of the Paris Agreement

4.1 Alignment with the Paris Agreement as a key element of the sustainability package

The Paris Agreement, United Nations Framework Convention on Climate Change, supports the attainment of sustainability goals relating to climate change.

The Agreement – and the set of goals to be attained by the states – represents the global response to the threat of climate change in connection with sustainable development and the efforts to eradicate poverty, including the goals to:

- a) hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
- b) improve the capacity to adapt to climate change by enhancing the resilience to climate change and supporting low greenhouse gas emissions, without endangering food production; and
- c) to establish consistency between the flow of financial funds and the efforts to lower greenhouse gas emissions and to enhance resilience to climate change.

Budapest, 15 June 2021

HOLD Asset Management Ltd