Internal risk management rules of
contractual fund UBB ExpertEase and its investment sub-funds

These rules ("the **Rules**") regulate the risk management organizational structure and levels of responsibility, the rules and procedures for establishing, evaluating, managing and monitoring the risks to which the contractual umbrella fund **UBB ExpertEase** (the **"Fund"**) and its investment sub-divisions (collectively, **"Sub-funds"**, or separately, "**Sub-fund**") are exposed or may be exposed, which are managed by management company KBC Asset Management N.V., a company incorporated under the laws of the Kingdom of Belgium, having its head office and registered address at Havenlaan 2, Brussels, 1080, entered in the Register of Legal Entities of Brussels under identification number 0469.444.267 (the "**ManCo**" or the "**Management Company**"), through KBC Asset Management N.V. - BRANCH, a branch of a foreign legal entity incorporated under the laws of Bulgaria, having its head office and registered address at 89B, Vitosha Blvd., Millennium Center, 6th floor, Triaditsa district, Sofia 1463, entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency with Company ID 205422541 (the "**Branch**").

(Amended on 18.03.2022) The rules should be applied by the employees of the Branch involved in the management of the risk related to the Fund and the Sub-funds, and in this part they supplement the general rules and procedures for risk management of the Management Company.

I. GENERAL PROVISIONS

Art. 1. (*Amended on 20.11.2020, 16.11.2021, 09.12.2022*) These Rules regulate the model for identifying, measuring, analyzing and managing the risks associated with the portfolios of the Funds and the Sub-funds managed by the **Branch**.

	Name of the Sub-fund	**Risk profile**1*
1.	UBB ExpertEase Defensive Balanced (BGN)	A global commingled "balanced" fund
2.	UBB ExpertEase Defensive Balanced (EUR)	A global commingled "balanced" fund
3.	UBB ExpertEase Defensive Tolerant (BGN)	A global commingled "balanced" fund
4.	UBB ExpertEase Defensive Tolerant (EUR)	A global commingled "balanced" fund
5.	UBB ExpertEase Dynamic Balanced (BGN)	Global equity fund
6.	UBB ExpertEase Dynamic Balanced (EUR)	Global equity fund
7.	UBB ExpertEase Dynamic Tolerant (BGN)	Global equity fund
8.	UBB ExpertEase Dynamic Tolerant (EUR)	Global equity fund

[*] According to the Methodology for classification of collective investment schemes of the Bulgarian Association of Management Companies.

9.	UBB ExpertEase Strongly Dynamic Tolerant (BGN)	Global equity fund
10.	UBB ExpertEase Strongly Dynamic Tolerant (EURO)	Global equity fund
11.	UBB ExpertEase Defensive Conservative Responsibly investing	A global commingled “balanced” fund
12.	UBB ExpertEase Defensive Balanced Responsibly investing	A global commingled “balanced” fund
13.	UBB ExpertEase Dynamic Balanced Responsibly investing	Global equity fund
14.	UBB ExpertEase Defensive Tolerant Responsibly investing	A global commingled “balanced” fund
15.	UBB ExpertEase Dynamic Tolerant Responsibly investing	Global equity fund
16.	UBB ExpertEase Strongly Dynamic Tolerant Responsibly investing	Global equity fund

Art. 2. Risk management rules are part of the investment policy of each Sub-fund.

Art. 3. (1) **The Branch** identifies and measures all risk factors related to the individual instruments in the portfolios of the Sub-funds, then measures the total exposure of each portfolio to these factors and makes decisions on limits, tolerance and risk management at the portfolio level.

(2) (*Amended on 20.11.2020 and 16.11.2021*) Within the process of identifying and measuring the risk in the Sub-funds, the **Branch** takes into account the fact that the Fund is a feeder collective investment scheme within the meaning of Art. 67 of the Law on the Activity of Collective Investment Schemes and Other Undertakings for Collective Investment ("**LACISOUCI**") and each Sub-fund invests without complying with the provisions of Art. 4, para. 1, Item 1, Art. 38, 45, 48 and Art. 49, para. 2, item 3 of LACISOUCI, at least 85% of its assets in shares of certain investment sub-divisions (collectively, the **“Main Sub-funds”**, or separately, “**Main Sub-fund**”) of Horizon N.V., an open-ended investment company, duly incorporated and existing under the laws of the Kingdom of Belgium, with its registered office and registered address in the city of Brussels, 1080, rue Havenlaan 2 (**the “Main Umbrella Fund"**), which is managed by the Management Company. Certain Main Sub-Funds have two Sub-Funds, one of which with stocks denominated in Euro, which invests in the corresponding class of shares of the relevant Main Sub-Fund, denominated in Euro, and the other one, whose stocks are denominated in BGN, which invests in the corresponding class of shares of the relevant Main Sub-fund denominated in BGN, while the remaining Main Sub-funds have only one corresponding Sub-fund, whose stocks are denominated in BGN, and which invests in the corresponding class of shares of the relevant Main Sub-fund denominated in EUR.

II. ORGANISATIONAL STRUCTURE

Art. 4. (1) *(Amended on 18.03.2022)* The risk management activity in the Fund and its Sub-Funds is carried out by special units within the structure of the Branch under the direction and supervision of the ManCo. The organizational structure related to risk management is as follows:

1. Board of directors of the ManCo.
2. Senior management of the **Branch** (manager, deputy manager).
3. Control Functions division, Risk officer of the Branch.
4. Employees working under contract with the **Branch** of the ManCo, namely:

4.1. Portfolio Management division, Portfolio Manager officer;

4.2. Control Functions division, Compliance Officer of the Branch

4.3. Finance division;

4.4. Control Functions division, Legal Counsel of the Branch;

4.5. Operations division.

(2) When the organizational structure defined in para. 1 is different or has changed, compliance with the basic principle of separation of responsibilities between employees should be ensured in order to prevent conflicts of interest.

(3) *(New from 16.11.2021, 18.03.2022)* The branch, as part of KBC Asset Management NV - Belgium, complies with the general framework for risk management and implementation of internal control for compliance with the risk management policies and rules applied in KBC Asset Management NV - Belgium. In practice, this means:

Supervision by the Chief Risk Manager of KBC Asset Management NV - Belgium, through the Executive Committee of KBC Asset Management NV - Belgium, by receiving reports from the Risk officer;

Supervision by the relevant risk management departments of KBC Asset Management NV - Belgium: Company risk and Product risk.

(4) *(New from 16.11.2021)* **The Branch**, as part of "KBC Asset Management NV" - Belgium, reports to the New and Active Product Processes department of "KBC Asset Management NV" - Belgium, which is responsible for the approval of new products and regularly reviews the existing ones, in view of occurring problems regarding risks and operational losses.

(5) *(New from 16.11.2021)* **The Branch**, as part of "KBC Asset Management NV" - Belgium, is part of the integrated system of UBB Bank, connected to the general Business Continuity Plan.

Art. 5. *(Amended on 16.11.2021, 18.03.2022)* The Board of Directors of the ManCo, including when acting through its responsible committees, the Senior Management of the **Branch,** and the Risk Officer of **the Branch**, has the following risk management responsibilities:

1. *(Amended on 16.11.2021)* To accept or, accordingly, amend and supplement, these Rules and to monitor the need for their updating in accordance with the risk management and internal risk control policies applied by "KBC Asset Management NV" - Belgium.

2. To determine the risk profile of each Sub-fund and its risk policy, accordingly. The risk policy can be:

a/ highly defensive;

b/ defensive;

c/ dynamic;

d /highly dynamic.

3. *(Amended on 16.11.2021, 18.03.2022)* To control the risk factors for each Sub-fund by discussing reports submitted by the Senior Management and the Risk Officer of the **Branch** and to make decisions within the limits of its authority.

4. To conduct periodic, annual review of risk management policies and strategies.

5. To make decisions on staffing, software and other provision of risk management activities.

6. To monitor the compliance with these Rules and to participate actively in the risk management process.

Art. 6. *(Amended on 16.11.2021, 18.03.2022)* The senior management of the **Branch** has the following additional risk management responsibilities:

1. To organize the work on the proper implementation of the risk management policy adopted by the Board of Directors, including by acting through its responsible committees, and the Risk officer of the **Branch**.

2. To monitor the compliance with the risk policy set by the Board of Directors, including by acting through its responsible committees, and the **Branch**'s Risk Officer.

3. To create workflow that ensures compliance with the defined limits and risk levels.

4. To monitor the compliance of the risk measurement, monitoring and evaluation procedures used by the relevant employees, with the internal company documents adopted by the Board of Directors of the ManCo, including by acting through its responsible committees and the **Branch's** Risk officer.

5. To make decisions on personnel, material, technical and methodical assurance of risk management activities.

6. To provide the Risk Officer of the **Branch** with the relevant powers and access to all information necessary for the performance of the functions under Art. 7 below.

Art. 7. (1) (*Amended on 20.11.2020, 18.03.2022*) The Risk officer of the **Branch** shall act independently of other departments and units in the Management Company and the **Branch**, shall report directly to the Senior Management of the **Branch** and shall have the following functions:

1. develops and implements the risk management system of the Fund and its Sub-funds;

2. implements the risk management policy and procedures;

3. guarantees the compliance with the approved internal system for limiting the risk of each Sub-fund, including the legally defined limits for the value of the total risk exposure and the risk of the counterparty.

4. advises the Senior Management of the **Branch** (including its responsible committees) regarding the determination of the risk profile of the Sub-funds;

5. reports regularly to the **Branch's** senior management, when applicable, on:

a) the correspondence between the current level of risk to which each Sub-fund is exposed and their approved risk profiles;

b) each Sub-fund's compliance with its internal risk mitigation system;

c) the adequacy and effectiveness of the risk management process, indicating in particular whether appropriate remedies have been taken in the event of any deficiencies;

6. reports regularly to the **Branch**'s Senior Management presenting the current level of risk to which each Sub-fund is exposed and on current or anticipated breaches of restrictions, thereby ensuring that timely and appropriate action is taken;

7. reviews and supports the organization and procedures for derivatives valuation.

- Financial risk management is carried out in particular in the following ways:

1. (*Amended on 16.11.2021*) Implements these Risk Management Rules of the Fund, as well as the risk management policies and processes (as defined by KBC AM NV) in order to identify, measure, manage and monitor appropriately all risks related to each Sub-fund's investment strategy to which each Sub-fund is or may be exposed.

2. Ensures that the risk profile disclosed to investors complies with the risk limits set in accordance with the regulations and provides relevant reports on them;

3. (*Amended on 16.11.2021*) Ensures that updated information is provided regularly to the **Branch**'s Senior Management regarding the adequacy and effectiveness of risk management processes, in particular indicating whether adequate corrective measures have been taken or will be taken to address actual or foreseeable deficiencies;

4. (*Amended on 16.11.2021*) Reports regularly to the Financial Risk Committee of "KBC Asset Management NV" - Belgium on the current risk levels of each managed fund, and on the actual or impending breach of risk limits, in order to make prompt and adequate corrective measures;

5. *(Amended on 16.11.2021)* Regular and sudden inspections of the risks of the managed portfolios and funds, preparation of reports on them, provision of data to the Financial Risk Committee of "KBC Asset Management NV" - Belgium for calculating the results of the main portfolios.

- Operational risk management includes, in particular:

1. *(Amended on 16.11.2021)* Forecasting, identification, collection of information and reporting to the database of KBC AM NV of operational losses of the Risk department of the company "KBC Asset Management NV" - Belgium;

2. Monitoring of key risk indicators and preparation of relevant regular reports on them;

3. Application of the appropriate group (KBC AM) risk policies;

4. Managing the risks arising from the daily work of the branch: ensuring the update and management of the DRP (Disaster Recovery Plan) and BCP (Business Continuity Plan);

5. Analyses, control, coordination of recovery, initiation of measures in relation to losses;

6. *(Amended on 16.11.2021)* Preparation of reports to the Senior Management of the **Branch** and to the Risk Department of the company "KBC Asset Management NV" - Belgium and the regulator regarding operational risks;

7. Mitigation of operational risks;

8. Management and support of updated operational risk reports and documents.

9. *(Amended on 18.03.2022)* The Risk Officer of the **Branch** must have the appropriate qualification to perform the assigned activities.

Art. 8. (1) *(Amended on 18.03.2022)* The Control Functions division, the Compliance Officer of the **Branch** functions separately and independently from other units and activities in the **Branch** and the ManCo. The officer has the functions of "unit for regulatory compliance" in the terms of LACISOUCI and Ordinance No. 44[**].

(2) *(Amended on 18.03.2022)* The functions of the Compliance Officer in relation to the risk management process are specified in Art. 29 of these Rules.

Art. 9. *(Amended on 18.03.2022)* The Finance division of the **Branch** is responsible for the proper application of the accounting procedures in connection with the risk management process, detailed in Chapter VII of these Rules.

III. IDENTIFICATION OF THE RISKS ASSOCIATED WITH THE OPERATIONS AND INVESTMENTS

Art. 10. (1) The process of identifying, managing and monitoring risks aims to reduce the impact of external and internal risk factors on investments, including risks arising from the macroeconomic environment.

(2) The risk management processes shall include:

a) risk Identification;

b) risk assessment;

c) selection of a risk strategy;

d) selection of ways to mitigate the risk;

e) control of the risk level.

(3) *(Amended on 18.03.2022)* Assessment, analysis and monitoring of risk factors is carried out on daily basis by the Branch's Risk officer.

Art. 11. The risk factors that influence investments within the risk management process are:

a) market risk - the possibility of incurring losses due to adverse changes in the prices of securities, market interest rates, exchange rates and more. The components of the market risk are:

aa) interest rate risk - the risk of decrease in the value of an investment in a security due to a change in the level of interest rates.

bb) Currency risk - the risk of reducing the value of an investment in a security or deposit denominated in a currency other than the BGN and the EUR, due to changes in the exchange rate between that currency and BGN or EUR.

cc) price risk related to investments in financial instruments - the risk of lowering the value of the investment in a security in case of unfavorable changes in market price levels.

b) credit risk (counterparty risk) - the possibility of reducing the value of the position in a financial instrument in case of unexpected credit events related to the issuers of financial instruments, the counterparty in transactions, as well as the countries in which they operate. The components of the credit risk are:

aa) counterparty risk - the risk of default by the counterparty to OTC transactions.

[**] Ordinance No. 44 of October 20, 2011 on the requirements for the activity of collective investment schemes, management companies, national investment funds, alternative investment funds and persons managing alternative investment funds (title amended - SG No. 63 of 2016, add. - SG No. 55 of 2022)

bb) settlement risk - the risk arising from the possibility of a Sub-fund not to receive cash or financial instruments from the counter party on the settlement date after the counter party has fulfilled their obligations on certain transactions to a certain counter party.

cc) investment credit risk - the risk of reducing the value of an investment in a financial instrument because of credit event with the issuer of the instrument.

c) operational risk - the possibility of incurring losses related to errors or flaws in the organization, inadequately trained staff, unfavorable external non-financial events, including legal risk;

d) liquidity risk - the likelihood of suffering losses due to asset sales under adverse market conditions to cover unexpected short-term debts.

e) concentration risk - the likelihood of loss due to inadequate diversification of exposures to clients, groups of connected issuers, issuers from the same industry, geographic area or arising from the same activity that can cause significant losses and risk associated with large indirect credit exposures.

f) *(New 06.01.2023)* sustainability risk - means an event or condition of an environmental, social or managerial nature that, if it occurs, may cause an actual or potential materially negative impact on the value of the investment.

IV. MEASUREMENT OF RISKS

1. MARKET RISK

Art. 12. The Branch implements a short-term and long-term strategy for managing the market risk related to the implementation of the operations of each Sub-fund.

Art. 13. (1) The Branch measures the interest rate risk by calculating duration. The duration is a measure of the sensitivity of a security to the change of the interest rates. The **Branch** uses the method of modified duration to measure the interest rate risk associated with each security based on interest rates like bonds, interest rate swaps, futures on interest rates and futures on bonds.

(2) The long-term interest rate risk management strategy includes setting target values of the portfolio's sensitivity to changes in the level of interest rates, according to the investment objectives and the policy of each Sub-fund.

(3) The short-term strategy involves daily determination of the sensitivity of a given security to changes in the level of interest rates.

(4) In view of the fact that each Sub-fund invests not less than 85% of its assets in shares of a corresponding Main Sub-fund, the investment policies of the Sub-funds do not imply the creation of direct exposures to interest rate risk. Insofar as the Main Sub-Fund is directly exposed to interest rate risk, this risk will be measured and managed by the Main Sub-Fund. According to the existing agreement in accordance with Art. 71, para. 1 of LACISOUCI between the Fund, as a feeder collective investment scheme, and Horizon N.V., as a master collective investment scheme, the Branch, acting for the Sub-funds, has access to information about the rules and risk management process to which the Main Sub-Fund is exposed.

Art. 14. (1) The Branch measures the currency risk for each currency other than BGN and EUR, by applying a short-term and long-term strategy.

(2) The short-term strategy includes the following procedures:

1. Identification of assets exposed to currency risk.

2. Daily measurement of currency risk by using the historical volatility of the exchange rate of the respective currency against BGN or EUR.

3. If necessary and possible, hedging the currency risk by using currency futures, forwards, options or other appropriate instruments provided for in investment policies of the Sub-funds.

(3) The long-term currency risk management strategy includes setting target weights of the various currencies in certain Fund's portfolio in order to reduce the impact of a given currency.

(4) *(Amended on 16.11.2021)* In view of the fact that each Sub-Fund invests not less than 85% of its assets in shares of the corresponding Main Sub-Fund denominated in the same currency (BGN or EUR) in which the stocks of the respective Sub-Fund are denominated, or, for certain Sub-Funds, denominated in BGN, invests no less than 85% of its assets in shares of a corresponding Main Sub-Fund denominated in EUR, and given the fixed exchange rate of BGN to EUR, the investment policies of the Sub-Funds do not imply the creation of direct exposures to currency risk. Insofar as the Main Sub-Fund is directly exposed to currency risk, this risk will be measured and managed by the Main Sub-Fund. According to the existing agreement in accordance with Art. 71, para. 1 of LACISOUCI between the Fund, as a feeder collective investment scheme, and Horizon N.V., as a master collective investment scheme, the Branch, acting for the Sub-funds, has access to information about the rules and risk management process to which the Main Sub-Fund is exposed.

Art. 15. (1) The Branch measures the price risk associated with the time difference between the processes of subscription and redemption of shares of the Sub-Funds by investors and subscription and redemption of shares of the corresponding Main Sub-Funds by the Sub-Fund, by applying a short-term and long-term strategy.

(2) The short-term strategy includes the following procedures:

1. Identification of assets exposed to price risk.

2. Daily measurement of the price risk by analyzing the subscription and redemption orders received by certain Sub-Fund for shares of such Sub-Fund.

3. If necessary and possible, hedging the price risk by using futures or other appropriate instruments provided for in the investment policies of the Sub-Funds.

(3) The overall portfolio risk of certain Sub-fund is measured by historical share price volatility measured by standard deviation.

(4) The long-term price risk management strategy includes:

1. Assessment of the applicability and effectiveness of the methods used to measure price risk;

2. Preparation of proposals to the Senior Management of the Branch, and, if necessary, to the Board of Directors of the Management Company, upon establishing the need to change the methods used to measure the price risk.

Art. 16. (1) *(Amended on 18.03.2022)* The Risk officer of the **Branch** monitors daily the investment restrictions by groups of financial instruments described in the Rules of the Fund, thereby ensuring compliance with the defined risk policy of each Sub-fund under Article 5, Item 2. Any deviation from the restrictions under the previous sentence is documented by the **Branch** Risk officer and reported to the **Branch** Senior

Management and the Product Risk Department and the Financial Risk Committee of the ManCo for corrective action.

(2) The total risk exposure of each Sub-Fund is calculated once a day.

2. CREDIT RISK AND COUNTERPARTY RISK

Art. 17. Credit risk is generally the risk of a decrease in the value of an investment in a given security in the event of unexpected credit events related to the issuers of securities, the counterparty to transactions, as well as unexpected events in the countries in which they operate.

Art. 18. The Branch considers three main types of credit risk:

1. Counterparty risk is the risk of default by the counterparty to OTC transactions. The exposure of the Sub-Funds to the counterparty of a transaction with OTC derivative instruments can be reduced by using collateral, which must be sufficiently liquid. The collateral is liquid if it can be sold at a price close to its estimate before the time of the sale.
2. Settlement risk is the risk arising from the possibility the Fund not to receive cash or financial instruments from the counterparty on the settlement date after they have fulfilled their obligations arising from that trade. The ManCo measures this risk through the value of all trades with a counterparty as a percentage of the managed portfolio. Do not include transactions concluded on condition of DVP (delivery versus payment) and on markets with functioning clearing mechanism.
3. Investment credit risk is the risk of reducing the value of an investment in a financial instrument because of credit event with the issuer of the instrument. Credit event includes bankruptcy, insolvency, a significant change in the capital structure, reduced credit rating and more. The ManCo performs qualitative and quantitative credit analysis based on:

3.1. The issuer's financial statements;

3.2. The capital structure of the issuer;

3.3. The management and reputation of the issuer.

Art. 19. *(Amended on 18.03.2022)* Transaction limits and risk levels related to credit risk are drawn up, amended as necessary by the Branch's Risk Officer and submitted for approval to the ManCo Financial Risk Committee. Transaction limits and risk levels related to credit risk are applied by the Portfolio Manager of the **Branch**, whereas the Risk Officer of the Branch monitors their compliance and reports in case of discrepancies to the Financial Risk Committee of the ManCo.

Art. 20. (1) The Branch applies a short-term and long-term strategy for managing the credit risk and the counterparty risk.

(2) The short-term strategy for managing the credit risk and the counterparty risk includes:

1. ongoing and subsequent assessment of the counterparty credit risk in OTC derivative transactions through qualitative and quantitative analysis based on the financial statements of OTC counterparties, the collateral provided (if any), the

management and reputation of the respective counterparty or using its assigned external credit rating;

2. tracking the value and frequency of pending transactions with a counterparty;

3. daily control of the compliance with legal and accepted internal limits for credit risk concentration;

4. constant monitoring of developments and interrelationships between markets and the economy, which facilitates the identification of potential risks of credit risk concentrations (both at group level and on a stand-alone basis) and the factors that cause them.

(3) The long-term strategy for managing the credit risk and the counterparty risk includes:

1. building adequate information management systems to allow identification of concentrations of the credit risk and the counterparty risk;

2. *(Amended on 18.03.2022)* determination of internal limits for the concentration of credit risk, in accordance with the investment objectives and policy of each Sub-Fund, if necessary and at the discretion of the Risk Officer of the **Branch** and the Portfolio Manager;

3. *(Amended on 18.03.2022)* restructuring of the portfolio of each Sub-Fund in cases of established risk of deterioration of the solvency of a given counterparty or group of counterparties in OTC transactions with derivatives, or in case of established excessive concentration of credit risk, etc. The Sub-Fund's portfolio is restructured on the proposal of the Branch's Risk officer, in agreement with the Portfolio Manager.

(4) In addition, in view of the fact that each Sub-Fund invests not less than 85% of its assets in shares of the corresponding Main Sub-Fund, the latter will measure and manage the credit and the counterparty risk associated with its direct investments. According to the existing agreement in accordance with Art. 71, para. 1 of LACISOUCI between the Fund, as a feeder collective investment scheme, and Horizon N.V., as a master collective investment scheme, the Branch, acting for the Sub-funds, has access to information about the rules and risk management process to which the Main Sub-Fund is exposed.

3. OPERATIONAL RISK

Art. 21. (1) Operational risks can be:

1. Internal - connected with the organization of the work of the management company and/or the Branch related to the management of the Fund and the Sub-Funds.

2. External - related to macroeconomic, political and other factors that affect and/or may affect the activity of the Management Company and/or the Branch in relation to the management of the Fund and the Sub-Funds.

(2) Internal operational risks consist of, but are not limited to:

1. Risks related to personnel;
2. Technological risk.

(3) External operational risks consist of, but are not limited to:

1. Environmental risk;
2. Risk of physical interference.

Art. 22. (1) *(Amended on 18.03.2022)* The assessment of the operational risks related to the activity of the Funds and the Sub-Funds is carried out once a year by the Risk Officer of the **Branch**.

3. The risks associated with the activity of the Fund are assessed using one of the following assessments:

1. low - when all risks are covered by adequate control procedures with high efficiency and there are no deviations or only insignificant deviations;
2. medium - when all risks are covered to a certain extent by insufficiently effective control procedures;
3. high - when not all risks are covered by control procedures and/or prior control procedures are missing or do not operate effectively, as a result of which compliance with the principles of good governance and transparency is violated.

Art. 23. The Branch adopts and monitors the implementation of specific methods for managing the main components of the operational risk, as follows:

1. Risks related to personnel, these are the risks of losses associated with the possibility of mistakes, bad faith, insufficient qualifications, unfavorable changes in labor legislation.

Methods for managing personnel risks:

- Clear definition of internal rules regarding the rights and obligations of employees;
- Clearly defined internal rules for access to the **Branch** information systems and databases;
- Regular staff training on topics related to:
  - financial theory and practice;
  - risk management;
  - the legal framework related to the activity of the ManCo, the Branch, the Fund, and the Sub-Funds;
  - information technology and security;
  - others.
- Regular meetings between the separate departments of the **Branch** and the ManCo to exchange experience, impressions and recommendations regarding the sources of risk and search for solutions for their management and minimization;
- Annual staff interviews and evaluation;
- Maintaining open communications between the various departments in the **Branch**.

2. Technological risk, which is the risk associated with losses caused by the imperfection of the technologies used - inadequacy of the conducted operations, lack of precision of the data processing methods, low quality of the data used.

Methods for the management of technological risks:

- backup of the information system of the **Branch,** the Fund and the Sub-Funds;
- Procedure for restoring the functionality of the information system of the **Branch,** the Fund, and the Sub-Funds;

- Organization and management of the user access to the information system of the **Branch,** the Fund, and the Sub-Fund;
    - Definition of different classes of information stored by the ManCo and/or the Branch;
    - Defining the access levels for the **Branch** employees according to their job description.

3. Environmental risk, which is the risk related to possible losses associated with changes in the non-financial environment in which the ManCo and the Branch operate - changes in legislation, political changes, changes in the tax system.

Methods for managing the environmental risks:

- Maintaining an up-to-date database with the legal regulations relevant to the activities of the ManCo, the Branch, the Fund, and the Sub-Funds;
- Use of external advisors and legal firms, if necessary, to implement the regulatory requirements regarding the activity of the ManCo and/or the Branch in connection with the management of the Fund and the Sub-Funds;
- Taking an active part in the public discussions regarding planned changes in the regulations concerning the activities of the **Branch** in connection with the management of the Fund and the Sub-Funds;

4. Risk of physical and digital interference - these are the risks associated with losses, as a consequence of direct physical interference in the activities of the Fund and the Sub-Funds - thefts, terrorist acts, unauthorized intrusion into the information system of the ManCo and/or the Branch (including hacker attacks).

Methods for managing the risk of physical and digital interference:

- Provision of a security company to carry out 24-hour monitoring and control of the premises where the technological means and archives of the ManCo and/or the Branch are located in connection with the management of the Fund and the Sub-Funds;
    - Prevention of the implemented monitoring and control systems on a regular basis;
    - Development of a procedure for the evacuation of employees, in cases of direct physical interference in the activities of the Fund;
- Procedure for reporting incidents;
- In order to ensure its cybersecurity, the branch has a signed service level agreement (SLA) with the United Bulgarian Bank AD.

Art. 24. (1) The Branch implements a short-term and long-term strategy for managing the operational risk related to the implementation of the operations of the Funds and the Sub-Funds.

(2) The long-term strategy foresees the following principles in the development of the operational risk management:

1. Identification of the main risk indicators.
2. Creation of a map of the processes at the ManCo and the Branch, as well as rules for the distribution of tasks and responsibilities of the departments for each of the processes.
3. Statistical measurement of the points where the most events are concentrated.

4. Improving the organization, creating clear rules and instructions for each of the processes.

5. Preparation of a risk reduction strategy by concluding insurance and other risk transfer mechanisms.

6. *(Amended on 18.03.2022)* Cooperation of the Risk Officer with the Compliance Officer at the **Branch** level and at the ManCo level.

7. Determination of the employees to be responsible for monitoring the processes taking place at the **Branch** departments related to the activities of the Fund and the Sub-Funds.

(3) The short-term strategy for operational risk management includes:

1. The main objective of the short-term strategy is to determine the guidelines that must be followed to identify, evaluate, monitor, control and reduce the operational risk related to the activities of the Fund and the Sub-Funds, as well as determine the organizational structure of the **Branch**, engaged in the creation and practical implementation of the operational risk management system.

2. Identification of operational risk - to detect and distinguish operational risk from other types of risk, the **Branch** uses a detailed analysis of the business processes at the **Branch**, as well as internal research for each department, which is a fact-finding activity that helps to reveal, determine and locate the sources and concentrations of operational risk in the workflow of the Fund and the Sub-Funds. Certain (few in number) risks are allowed not to be tracked (unidentified). For this reason, it is aimed to improve the timely identification of unidentified risks in each department.

2.1 In order to more accurately allocate operational events by risk classes, depending on the root cause of their occurrence, four main risk categories have been identified in the activity of the Fund and the Sub-Funds as potential risks:

2.1.1 Risks related to personnel - *for example:* errors, bad faith, insufficient qualifications.

2.1.2 Technological risk - *for example:* inadequacy of the operations carried out, lack of precision of the data processing methods, low quality of the data used.

2.1.3 Environmental risk - f*or example:* changes in legislation, political changes, changes in the tax system.

2.1.4 Risk of physical and digital interference - *for example:* theft, terrorist act, unauthorized intrusion into the information system (including hacker attack), natural disasters, fire.

2.2 Business process - one or several interrelated procedures or operations that jointly implement a specific business task and their implementation leads to specific results. In order to achieve more accurate results in operational risk assessment, some of the following business processes have been identified:

2.2.1 Portfolio management;

2.2.2 Coordination and communication;

2.2.3 Organization and management of sales and customer service;

2.2.4 Risk management;

2.2.5 Implementation of internal control;

2.2.6 Accounting of the Fund and the Sub-Funds;

2.2.7 Branch Accounting;

2.2.8 Logistics;

2.2.9 Human resources management;

2.2.10 Management of the Branch;

2.2.11 Regulatory and internal group reporting process, managerial information;

2.2.12 Assessment of the net asset value (NAV) of the Sub-Funds.

3. *(Amended on 18.03.2022)* Assessment of risks - by comparing the identified risks against the business processes in one plane, their impact on each type of activity carried out in the **Branch** is taken into account. This is how the so-called risk zone is defined, which is the point of intersection of the risk with the specific activity. Operational risk is concentrated there, which is most often subject to quantitative measurement. The risk is assessed in terms of the features - frequency of occurrence and degree of impact. The Risk Officer of the Branch assists the employees from the various divisions of the Branch, providing them with methodical assistance in the process of determining the risk zones.

4. *(Amended on 18.03.2022)* Monitoring of risks - all operational events that bring an effective loss, as well as those with a potential loss exceeding a threshold determined by the ManCo procedure, should be reported to the Risk Officer of the **Branch** from the relevant units and should be registered in the database.

5. *(Amended on 18.03.2022)* Risk management/Risk mitigation - the strategy includes the application of rules governing the organizational structure and levels of responsibility, as well as risk management policies specified in the internal documents of the ManCo and the **Branch**. The Risk Officer of the **Branch** can perform more in-depth analyses of risk factors, as well as determine new methods for their management/mitigation.

4. LIQUIDITY RISK

Art. 25. (1) The Branch analyzes the liquidity risk based on historical data for incoming and outgoing cash flows related to the activity of each Sub-Fund.

(2) This analysis serves to determine the minimum threshold of cash and cash equivalents in the portfolio of each Sub-Fund.

(3) When managing liquidity risk, the **Branch** complies with the redemption policy established in the Fund's Rules and Prospectus, in order to ensure compliance with the requirements of Art. 21 of LACISOUCI for fulfilling the obligations to buy back shares from the Sub-Funds, and, if necessary, stress tests are carried out, which allow to assess the liquidity risk of the Fund and each Sub-Funds in extraordinary circumstances.

(4) Each Sub-Fund holds up to 15% of its assets in additional liquid assets, within the meaning of Art. 38, para. 4 of LACISOUCI - cash on hand and derivative financial instruments that are used only for risk hedging purposes and meet the conditions under Art. 38, para. 1, items 7 and 8, art. 42 and 43 of LACISOUCI. In addition, each Sub-Fund maintains such a structure of assets and liabilities as to enable it to meet its share repurchase obligations at all times.

(5) The Branch manages the liquidity risk in accordance with the Liquidity Maintenance and Management Rules of the Fund and its Sib-Funds. The Rules specify the principles and methods of maintaining and supporting the liquidity of each Sub-Fund, as well as the rights and obligations of the persons responsible for the management, reporting and internal control over liquidity.

(6) (*New, 09.12.2022*) **The Branch** introduces and implements a Policy for conducting stress tests for the liquidity of the Fund and its Sub-Funds.

5. RISK OF CONCENTRATION

Art. 26. (1) In view of the fact that the Fund is a feeder collective investment scheme within the meaning of Art. 67 of LACISOUCI and each Sub-Fund invests without complying with the provisions of art. 4, para. 1, item 1, art. 38, 45, 48 and Art. 49, para. 2, item 3 of LACISOUCI, at least 85% of its assets in shares of the Main Sub-fund, the investment activity of the Fund implies the concentration of its assets in the corresponding Main Sub-fund. Insofar as the activities and investments of each Main Sub-Fund are subject to legal and internal investment restrictions, the direct concentration of the assets of the Sub-Funds benefits from the measures for assessment and management of the concentration risk implemented by the Main Sub-Funds in relation to the structure of their investment portfolios. According to the existing agreement in accordance with Art. 71, para. 1 of LACISOUCI between the Fund, as a feeder collective investment scheme, and Horizon N.V., as a master collective investment scheme, the Branch, acting for the Sub-funds, has access to information about the rules and risk management process to which the Main Sub-Fund is exposed.

(2) *(Revoked on 20.11.2020)*

(3) Companies included in one group for the purposes of preparing a consolidated financial statement according to recognized accounting standards are considered as a single entity for the purposes of applying the restrictions under this Article.

(4) When calculating the risk exposure of a Sub-Fund to the counterparty, the positive market value of the over-the-counter derivative contract with this counterparty is used. The positions of the Sub-Fund in derivative instruments with the same counterparty may be netted if the **Branch** can ensure the implementation of the netting agreements with the counterparty on behalf of the relevant Sub-Fund. Netting can only be performed on OTC derivative exposures with the same counterparty. Netting with other Sub-Fund exposures to the same counterparty is not permitted.

(5) When calculating the risk exposure of a Sub-Fund to the counterparty, the **Branch** takes into account the restrictions under para. 2, if collateral exists. Collateral may be reported at net value if the **Branch** can ensure the enforcement of the netting arrangements with that counterparty on behalf of the Sub-Fund.

(6) The Branch shall calculate the issuer's concentration limits under this article, based on the underlying exposure arising from the use of derivative financial instruments under the commitment method.

(7) According to Art. 50, para. 2 and 3 of LACISOUCI, some of the restrictions under this article may not apply in the following cases:

1. In relation to a Sub-Fund, permission for organization and management has recently been received - within 6 months of receiving the permission;
2. A Sub-Fund participates in a conversion as a receiving sub-fund - within 6 months from the date of entry of the merger or infusion in the relevant register.

(8) In the event of a violation of the investment restrictions under this article, for reasons beyond the **Branch**'s control, the **Branch** shall, as a matter of priority, but no later than 6 months from the occurrence of the violation, bring the assets of the Sub-Fund, which has violated the restrictions, into compliance with the investment restrictions through sales transactions, taking into account the interests of the holders of shares.

(9) In the cases under the previous paragraph, the **Branch** is obliged to notify the Commission for Financial Supervision within 7 days of committing the violation, providing information on the reasons for its occurrence and the measures taken to remedy it.

Art. 27. (1) In relation to all risks to which each Sub-Fund is exposed, the **Branch** undertakes the following actions:

1. establishes adequately documented organizational risk assessment measures, processes and techniques ensuring that the risks associated with each position and its impact on the overall risk profile are properly measured based on accurate and reliable data;

2. conducts periodic back-tests in order to review the validity of risk measurement arrangements which include model-based forecasts and estimates;

3. conducts, where appropriate, periodic stress tests and scenario analyses to address risks arising from potential changes in market conditions that might adversely impact the Sub-Funds.

4. establishes, implements and maintains a documented system representing a system of internal risk thresholds for each Sub-Fund, which:

4.1. ensures compliance with the risk profile of the Sub-Fund;

4.2. specifies the measures applied to manage and control the relevant risks for the Sub-Fund, taking into account all the significant risks determined according to these Rules;

5. ensures that the SUB-Fund's current level of risk corresponds to the level determined by the system for internal risk limits under item 4;

6. establishes, implements and maintains appropriate procedures ensuring timely corrective actions are taken to the best interest of the shareholders, in the event of anticipated/foreseeable violations of the internal risk limits system under item 4.

(2) *(Revoked on 09.12.2022);*

1. *(Revoked on 09.12.2022);*

2. *(Revoked on 09.12.2022).*

(3) *(Amended on 18.03.2022, revoked on 09.12.2022)*.

(4) *(New from 06.01.2023)* The Branch applies internal risk limit thresholds towards the Sub-Funds, determined by the Financial Risk Committee of the ManCo. These Rules, pursuant to Art. 37, para. 1, item 3 of Ordinance No. 44, establish the internal risk limit thresholds, which are at the level of 99.99% of the limits under these Rules.

(5) *(New from 06.01.2023)* Any exceeding of the thresholds under para. 4 shall be documented by the Branch Risk Officer and reported to the Financial Risk Committee of the ManCo at least once a month.

6. SUSTAINABILITY RISKS (NEW, 09.12.2022)

Art. 27a. (*New, 09.12.2022*) The extent to which the feeder Sub-Funds are exposed to sustainability risks that may be material to them is assessed at the level of the relevant Main Sub-Fund in accordance with the management company's internal risk management rules.

V. MONITORING AND PERIODIC ASSESSMENT OF THE COMPLIANCE WITH THE INTERNAL RISK MANAGEMENT RULES

Art. 28. The Branch should assess the risks associated with each Sub-Fund's portfolio by using data for a fixed period of time (e.g. month, year, etc.) and updating the input data on a daily basis.

Art. 29. *(Amended on 18.03.2022)* The Risk Officer works closely with the **Branch** Compliance Officer and the **Branch** Legal Counsel. This cooperation includes bit is not limited to the following activities:

1. The Compliance Officer of the **Branch** informs the Risk Officer of the **Branch** about changes in the regulatory framework;
2. The Legal Counsel of the **Branch** notifies the Risk Officer of the **Branch** of any decisions of the Senior Management of the **Branch** that affect his activity;
3. Each employee of the **Branch** immediately notifies the Risk Officer of the **Branch**, the Compliance Officer of the **Branch** and the responsible employee of the **Branch** of any identified misuse, frauds, errors and/or inaccuracies, in order to manage the operational risk;
4. The Compliance Officer of the **Branch** assists by giving an opinion on the compliance with the regulatory acts, of the amendments and/or additions to these Rules proposed by the Risk Officer of the **Branch**;
5. The Risk Officer of the **Branch** notifies the Senior Management of the **Branch** of any established irregularities, errors, frauds and misuse in order to take the necessary actions to prevent and/or eliminate their negative consequences.
6. The **Branch** 's Compliance Officer conducts an annual review of the risk management and measurement process, which includes at least a review of:

a) the completeness of the documentation related to the risk management rules and the organization of the risk control unit;

b) the reporting of the risk assessments in the daily risk management and the integrity of the management information system;

c) the process of approval of risk assessment methods and systems;

d) the scope of the main risks and acknowledgment of any material changes in the risk measurement process;

e) the accuracy and completeness of position data, the accuracy and appropriateness of volatility and correlation assumptions, and the accuracy of risk sensitivity estimates and calculations;

f) the compatibility, timeliness and reliability of data sources, including the independence of information sources;

g) the results of validity and accuracy tests of the methods used.

7. The Compliance Officer of the **Branch** checks and assesses the adequacy and effectiveness of the measures, policies and procedures adopted by the **Branch** for identification of any risk of non-compliance with the obligations of the **Branch** and its employees pursuant to the LACISOUCI and the regulatory acts on its implementation, as well as the related risks and the actions taken to eliminate any non-compliance with the obligations by the **Branch**.

8. The Compliance Officer of the **Branch** shall immediately report in writing to the Senior Management of the **Branch** upon detection of any errors, irregularities, improper use, fraud or misuse in connection with the activities of the Sub-Funds.

9. *(Amended on 18.03.2022)*

10. The Compliance Officer of the **Branch** prepares and submits to the Senior Management for approval, by the 10th day of the month following the reporting year, an annual report on its activities for the specified period. The report said in the previous sentence should indicate an assessment of compliance with the regulatory requirements and internal acts regulating the activities of the **Branch**, specifically indicating whether appropriate corrective measures were taken in case of identified deficiencies.

VI. TYPES OF DERIVATIVE FINANCIAL INSTRUMENTS. TYPES OF RISKS

Art. 30. (1) (*Amended on 20.11.2020*) The **Branch** concludes transactions with derivative instruments on behalf and for the account of the Sub-Funds, solely for the purpose of hedging risks.

(2) (*Amended on 09.12.2022*) **The branch** concludes on behalf and at the expense of each Sub-Fund only derivative contracts with the following subject:

1. derivative financial instruments, including instruments equivalent to them, the obligations of which can be fulfilled by monetary payment, traded on regulated markets under Art. 38, para. 1, items 1 - 3 of LACISOUCI; and/or

2. derivative financial instruments traded on over-the-counter markets, provided that:

a) their underlying assets are securities, financial indices, interest rates, currency or exchange rates in which the Sub-Funds may invest in accordance with its investment policy as defined in the Fund's Prospectus and Rules;

b) the counterparty to the transaction with such derivative financial instruments is an institution subject to prudential supervision and meets the requirements approved by the Financial Supervision Commission;

c) (*Amended on 09.12.2022*) are the subject of a reliable and verifiable daily assessment and at any moment, at the initiative of the **Branch**, on behalf and at the expense of the relevant Sub-Fund, may be sold, liquidated or closed through an offset transaction at a fair value.

Art. 31. (*Amended on 20.11.2020*) The **Branch** may invest on behalf and at the expense of each Sub-Fund up to 15% of the assets of such Sub-Fund, in financial derivative instruments that meet the requirements of Art. 38, para. 1, items 7 and 8, and Art. 42 and 43 of LACISOUCI, including but not limited to:

- interest rate futures, interest index futures, bond futures, currency futures, stock futures, etc.

Art. 32. (1) The main risks associated with the derivative financial instruments mentioned in Art. 31 are related to the risks specific for the underlying instruments on the basis of which they are constructed. The main risks specific to the specified derivative instruments are the following:

1. **Market risk -** the risk of a change in the value of derivative instruments as a result of a change in the interest rates, securities prices, index values or exchange

rates serving as the underlying instruments on which they are constructed. The main types of market risk, specific for the specified derivative financial instruments, are price, interest rate and currency risk, described in Section III of these Rules. The market risk of hedging instruments is considered together with the risk of the hedged position in the portfolio. The determination of the market risk of the hedging instruments is done in connection with the structuring of the hedging transactions and maintenance of an effective hedge.

2. **Credit risk of the counterparty** - the risk of losses that arises due to the debtor's inability to fulfill their obligations under the concluded contract. This risk is significantly higher with OTC Derivatives, because settlement of the transaction is settled directly with the counterparty. The credit risk in exchange contracts is significantly lower, because the clearing house plays the role of counterparty to the transaction, and the counterparties are obliged to maintain minimum required funds on a margin account in the clearing house, guaranteeing the due payment.

3. **Settlement risk -** the credit risk borne by the counterparties to the transaction during the settlement period. This risk is significantly higher when trading instruments on OTC markets. In order to mitigate it, the parties to the transaction can enter into a bilateral netting agreement, which allows the netting of payments without actual purchase and sale of the underlying instruments.

4. **Liquidity risk -** risk of losses due to the inability of the relevant Sub-Fund to take or terminate a given position in the event of adverse and unexpected market changes, without having a significant negative impact on the value of the derivative instrument. Derivative contracts concluded in the over-the-counter market (OTC market) are significantly less liquid than exchange-traded derivatives.

5. **Basis risk in futures contracts -** probability of widening of the spread between the market and the future price of the underlying instrument, which occurs in cases when the features of the hedging instrument differ from those of the position being hedged.

6. **Risk of the leverage effect (leverage) -** The possibility of leveraging or financing a certain percentage of the investment with borrowed funds gives rise to the risk of losing an amount exceeding the investment in the relevant derivative instrument.

(2) The total risk exposure of each Sub-Fund arising as a result of transactions with derivative financial instruments **should not exceed the net value of the Sub-Fund's assets**. For this purpose, the **Branch**, acting at the expense of each Sub-Fund, shall calculate the total risk exposure of the relevant Sub-Fund by combining the Sub-Fund’s direct risk exposure to derivative financial instruments or with the actual risk exposure to derivative financial instruments of the Main Sub-Fund in proportion to its investment in the Main Sub-Fund or the maximum total exposure of the Main Sub-Fund to derivative financial instruments provided for in its articles of association, in proportion to the amount of its investment in the Main Sub-Fund.

(3) The total risk exposure for the main types of derivative financial instruments is determined on the basis of the market and the fair price of the derivative instruments, taking into account the current value of the underlying assets, the risk of the counterparty to the transaction, indicators of future market changes and the time required to liquidate the positions.

(4) The Branch applies the assumed liabilities method consistently to all positions in derivative financial instruments.

(5) When applying the assumed liabilities method to calculate the Sub-Fund's total risk exposure, the value of each position in a derivative financial instrument is equated to the market value of an equivalent position in the underlying asset of this derivative instrument. Calculations for the relevant derivative instruments are carried out as follows:

1. **futures:**

a) futures on interest indices - market value of the underlying asset, i.e. - number of contracts x par value x index level;

b) bond futures - market value of the underlying asset, i.e. - number of contracts x par value x market price of the "cheapest-to-deliver" bond weighted by the conversion factor;

c) interest rate futures - number of contracts x par value;

d) currency futures - number of contracts x par value;

e) stock futures - number of contracts x factor x market price of the underlying stock.

(6) The determination of the total risk exposure includes:

1. Calculation of the exposure arising from each individual derivative instrument.

2. Identification of netting or hedging arrangements. For each netting or hedging, net exposure is calculated as follows:

a) the gross exposure is equal to the sum of the exposures to individual financial derivative instruments after accounting for netting;

b) if the netting or hedging arrangement relates to positions in securities, the market value of the securities may be used to net the gross exposure;

c) the absolute value of the calculation result is equal to the net exposure.

3. The global risk exposure is equal to the sum of:

a) the absolute value of the exposure under each individual derivative instrument not participating in netting or hedging arrangements;

b) the absolute value of the net exposure obtained after accounting for netting and hedging arrangements.

(7) When calculating the global risk exposure of certain Sub-Fund, the **Branch** may take into account netting and hedging agreements, where these agreements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

(8) Netting can be performed between: derivative financial instruments constructed on the same underlying instrument, regardless of their maturity date; positions in securities (shares, bonds, etc.) and derivative financial instruments with the underlying asset corresponding securities.

(9) In order to take advantage of the opportunity to reduce its overall risk exposure, the **Branch** should demonstrate that the price of the hedged item and the hedging instrument always move in the opposite direction and demonstrate a strong negative correlation, regardless of market conditions.

(10) Where the use of derivative financial instruments does not generate additional risk for a Sub-Fund, the underlying exposure need not be included in the commitment calculation.

(11) When using the method of assumed obligations, the agreements for temporary borrowing of funds concluded on behalf and for the account of a certain

Sub-Fund, according to Art. 27 LACISOUCI are not included in the calculation of the total risk exposure.

(12) Methods for assessing the risks associated with investments in derivative financial instruments:

1. **Market risk** - the interest rate, the currency risk and the price risk of the underlying instruments are measured based on the quantitative methods described in Section IV.
2. **Underlying risk** - exposure to basis risk is measured by the difference between the current value of the underlying asset and its agreed futures price.
3. **Credit risk of the counterparty -** measured by the market value of the receivables from the respective counterparty.
4. **Settlement risk -** is measured by the market value subject to settlement on the transaction.
5. **Leverage risk -** measured by the market value of the leverage % agreed on the deal.
6. **Liquidity risk -** is measured using the following methodology:

Max loss = W x S x 1/2, where

W is the market value of the derivative instrument,

S is the spread between the selling price and the bid price divided by the average price

$$S = \frac{[P(ask) - P(bid)]}{P(mid)}$$

(13) The total value of a Sub-Fund's exposure associated with derivative instruments may not exceed the net value of its assets.

For the purposes of this paragraph, the risks associated with the exposure in derivative financial instruments are calculated by taking into account the current value of the underlying assets, the risk of the counterparty to the transaction with the derivative financial instrument, future market fluctuations, as well as the required time period for closing the position.

Art. 33. **(1)** When hedging the assets of a given Sub-Fund with derivative financial instruments, the **Branch** complies with the restriction that the value of the underlying asset of each individual hedging position should not exceed the value of the asset at the time of conclusion of the transaction, which the Sub-Fund owns in its portfolio.

(2) The amount of positions in derivative financial instruments in which the **Branch** invests at the expense of a Sub-Fund for the purpose of risk management depends on the effectiveness of hedging.

(3) The size of the position in derivative instruments is determined by the following basic principles:

1. A key factor that determines the effectiveness of hedging transactions is the selection of a hedging instrument with an underlying asset or assets that provide the

best correlation between the price of the hedging instrument and the price underlying the respective risk being hedged.

2. Hedging is considered highly effective if, at inception and during its existence, changes in the fair value or cash flows of the hedged asset are expected to be almost completely offset by changes in the fair value and cash flows of the hedging instrument, and the actual results are within at 80-125%.

Art. 34. (1) The Branch, acting on account of a Sub-Fund, keeps and stores reporting information on types of hedging transactions and submits to the Financial Supervision Commission the information under Art. 60, para. 1, item 3 of LACISOUCI.

(2) When managing the Sub-Funds' assets, the **Branch** daily monitors and evaluates the effectiveness of hedging, applying the principles of IFRS 9.

VII. ACCOUNTING PROCEDURES FOR RISK MANAGEMENT

Art. 35. The main purpose of the accounting procedures is the adequate collection, processing and presentation of reliable, systematized and timely information about the degree of risk to which each Sub-Fund is exposed.

Art. 36. The timely and accurate presentation of information on the degree of risk exposure to the **Branch**'s Senior Management is a prerequisite for preventing the concentration of risks and incurring financial losses.

Art. 37. Accounting procedures must ensure comprehensiveness of the business processes, thus minimizing the risk of loss and distortion of information about the current state of each Sub-Fund.

Art. 38. Accounting procedures must ensure appropriate structuring of financial and accounting information for the purposes of managing the risks by the ManCo. This is achieved by detailing and adequately grouping the information from the primary accounting documents, based on the individual chart of accounts and specialized software.

Art. 39. To achieve the goals facing the accounting procedures for risk management, coordination with all departments in the **Branch** is required.

Art. 40. The prerequisites for the proper functioning of the accounting procedures are the following:

1. Adherence to the accounting policy developed in accordance with the International Accounting Standards and the International Financial Reporting Standards;
2. True, accurate and timely accounting of the business processes;
3. Ensuring the necessary information flow to the accounting department;
4. Timeliness of the information submitted to the accounting department;
5. Structuring of the individual chart of accounts for the purposes of obtaining the required accounting information;

6. *(Amended on 18.03.2022)* Active interaction with the Risk Officer and the other employees of the **Branch** in order to obtain correct and timely information about the degree of risk exposure;
7. Availability of software products aimed at automating processes, systematization of information, facilitating the access to data from primary documents and sources and their reliable archiving;
8. Organizational structure of the accounting department in accordance with the needs of the **Branch**, with clearly defined rights, responsibilities and levels of access to information;
9. Daily accounting of all operations, as well as revaluation of the securities in the portfolio of each Sub-Fund, in accordance with the regulatory requirements and the adopted accounting policy;
10. Daily preparation of balance sheet and turnover sheet and active participation in the preparation of daily reports;
11. Planning of corrective actions in the event of various types of errors in the accounting department;
12. Ability of the senior management to control the activity of the **Branch**;
13. Reliable storage of information on durable media.

Art. 41. The Branch determines the sources of price information, the data that will be used for daily and/or monthly revaluation of the positions of each Sub-Fund, as well as the employees engaged in the revaluation.

Art. 42. (*Amended on 20.11.2020*) Sources of price information for the Main Sub-Funds are the data on net asset value, issue value and redemption price of the Main Sub-Funds, as well as other financial data and financial statements of the Main Umbrella Fund and the Main Sub-Funds published by the custodian bank of the Main Sub-Fund and/or the Management Company. In the event of a delay in the publication and/or transmission of information regarding the NAV per share by a given Main Sub-Fund, the source of price information shall be the latest data published at https://www.kbc.be/retail/en/legal-information/investment-legal-documents.html?zone=breadcrumb about the NAV per share of the Main Sub-Funds.

Art. 43. Sources of quotations can be recognized world news agencies such as REUTERS, BLOOMBERG, etc.

Art. 44. For each of the positions in financial instruments that do not have current price quotations, a method for calculating its fair price is determined, and this method is followed consistently. The persons responsible for the calculation of the fair prices must be able to give explanations on the calculations and periodically check the suitability and adequacy of the methods used.

Art. 45. The Branch should assign responsibilities to employees to monitor for deviations in the settlement of transactions with financial instruments.

VIII. ADMINISTRATIVE PROCEDURES

Art. 46. (1) Administrative procedures necessary for carrying out the activities of the **Branch** are:

1. These Rules, which are adopted, amended and supplemented by the Board of Directors of the ManCo, including its ad-hoc committees, and enter into force after approval by the Deputy Chairman of the Financial Supervision Commission, who is the head of the Investment Activity Supervision division;
2. Availability of a control system, according to the internal organization of the ManCo and the **Branch**;
3. A series of actions of employees, in connection with the implementation of the activities of the ManCo, in accordance with its issued license, and of the **Branch**;
4. Authorization of employees to confirm and sign documents within the activities of the ManCo and the **Branch**:

4.1. Authorization of employees to confirm and sign documents is carried out with the relevant powers of attorney, mentioning the rights delegated to each employee;

4.2. When authorizing employees to acknowledge and sign documents within the framework of the activities of the ManCo and the **Branch**, the “four eyes” principle should be adhered to in checking the primary and supplemental documents;

4.3. In the event of a change in the representative authority of any employee, the institutions and persons to whom the powers of attorney were presented shall be duly notified.

5. Procedure for creating, functioning and managing the data and documents at the ManCo and the **Branch**, including their archiving:

5.1. Documents are created by employees of the department who are competent to do so;

5.2. The document circulation is carried out in accordance with the internal rules of the ManCo and the **Branch**;

5.3. Documentation is kept and an archive is maintained in accordance with the requirements of Ordinance No. 44, which are applicable to the activities of the **Branch** associated with the management of the Fund and its Sub-Funds.

6. Administration and management of the information system - performed by the **Branch** itself or assigned to external contractors;
7. Rules and responsible officials for notifying the Financial Supervision Commission regarding the activities of the ManCo and the Branch.

(2) The administrative procedures under para. 1 are contained in a legal act, other internal rules of the ManCo and/or the **Branch** or are developed in a separate internal document.

(3) The internal rules of the ManCo and/or the **Branch** must contain and ensure:

1. identification, collection and dissemination in appropriate form and terms of reliable and credible information, which allows each person in ManCo and the **Branch** to assume certain responsibility;
2. effective horizontal and vertical communication and communication at all hierarchical levels of the ManCo and the **Branch**;
3. authorization and approval policies and procedures;
4. policies and procedures for segregation of responsibilities in a way that does not allow one employee to be simultaneously responsible for approving, executing, accounting and controlling transactions;

5. policies and procedures for the access to information;
6. human resource management rules.

(4) *(Amended on 18.03.2022)* In view of the assignment of functions to the various employees of the **Branch**, and in compliance with the requirement for segregation of responsibilities according to para. 3, item 4, job descriptions should be prepared and observed for each job position at the **Branch**, in which the requirements for appointment to the respective position and the range of duties assigned to appointed persons should be determined.

Art. 47. The internal procedures of the ManCo and the **Branch**, regulate the cases of confidentiality when working with inside information, as well as the standards of conduct of the employees towards the customers of the **Branch**, in cases when the service requested by a customer refers to an investment, the information about which is not in the public domain.

Art. 48. *(Amended on 18.03.2022)* The Risk Officer of the **Branch** prepares and submits to the Senior Management of the **Branch** a report on their activities once a year, by January 31.

Art. 49. **(1)** Reporting of incidents - the goals of the incident reporting are:

1. To help form an information base on losses caused by operational incidents.
2. To help increase the risk culture and, respectively, to improve the risk management process and the possibilities of limitation by improving the information about the actual cost of the operational risk.
3. To measure regularly the value the incidents occurring as a result of the operational risk, providing a better opportunity for the management to limit the costs.
4. To improve the ability to respond to significant operational incidents
5. To bring into compliance the requirements of the regulatory framework at the functional unit level.
6. To establish a fully synchronized procedure for data collection and reporting, and to avoid duplication of and gaps in the information.

(2) The risk management policy requires immediate reporting of incidents that are: significant; have a threatening nature; are relevant to the reputation of the company; have an illegal or defamatory effect.

(3) In order to increase the awareness of managing risk situations and assessing the adequacy and effectiveness of the measures taken, the **Branch**, acting at the expense of the Sub-Funds, should prepare and maintain a log of registered incidents, which should contain a description of the event, location of its occurrence, date of occurrence, person/s who registered the incident, as well as the person/s responsible and the tasks completed.

Art. 50. (1) The Branch evaluates, controls and reviews the risk management system once a year. The period covers the current financial year.

(2) Based on the inspection carried out under para. 1 above and in the event of the need to make changes to the Rules, the Board of Directors of the ManCo, including through the **Branch**'s Senior Management or its responsible committees, accepts changes to the Rules, which are submitted to the FSC for approval in accordance with

Art. 18, para. 1 and 2 of LACISOUCI within no more than 7 days from the date of their adoption.

Art. 51. (1) The **Branch**, acting on behalf and at the expense of the Sub-Funds, discloses to the public at least once a year information with the following content:

1. information on risk management objectives and policy for each risk, which includes:

a) policies and procedures for managing the various types of risk;

b) the structure and organization of the risk management unit;

c) scope and nature of risk reporting and measurement systems;

d) policies for hedging risk through derivative instruments and its reduction, as well as policies and procedures for monitoring the ongoing effectiveness of hedging and risk reduction processes;

2. information on the methods used to assess each type of risk, as well as a description of the relevant internal and external indicators that are taken into account when applying the measurement method.

(2) The information under para. 1 is distributed through the website of the Branch within one month from the completion of the review under Art. 50.

TRANSITIONAL AND FINAL PROVISIONS

§ 1 These Rules were adopted by a Decision of the Executive Committee of the Management Company, taken at a meeting and reflected in the Minutes of August 11, 2020, and were amended by a decision dated November 20, 2020, and of November 16, 2021, whereas the amendments adopted by the decision of November 16, 2021, became effective after the approval of the Financial Supervision Commission for the organization and management of the Sub-Funds UBB ExpertEase SRI Defensive Conservative, UBB ExpertEase SRI Defensive Balanced, UBB ExpertEase SRI Dynamic Balanced, UBB ExpertEase SRI Defensive Tolerant, UBB ExpertEase SRI Dynamic Tolerant, and UBB ExpertEase SRI Highly Dynamic Tolerant, amended by a decision of the Branch's Senior Management dated March 18, 2022. These rules have been amended by a decision of the Branch's Senior Management dated December 9, 2022, and January 6, 2023, and have become effective after obtaining the approval of the Deputy Chairman of the Financial Supervision Commission who is the head of the Investment Activity Supervision division.

§ 2 In the event of a conflict between these Rules and any legal act, the provisions of the legal act shall apply without the need for immediate amendment of the Rules, unless the legal act expressly provides for this.

§ 3 *(New from 16.11.2022)* "Senior Management", in terms of §1, item 2 of the Additional provisions of Ordinance No. 44, of the Branch for the purposes of these Rules, are the Manager and Deputy Manager (by proxy) of the Branch.