



Investment Policy and Strategy



Drive for
performance

**EVERGENT Investments S.A.'s Investment Policy and Strategy
Diversified Alternative Investment Fund Intended for Retail Investors (AIFRI
diversified), closed-end, self-managed**

The investment policy and strategy of EVERGENT INVESTMENTS S.A. is drafted based on the following legal provisions:

Law no. 74/2015 on the issuers of alternative investment funds managers (AIFM Law).

Committee Delegated (EU) Regulation no. 231/2013 of December 19, 2012, supplementing Directive 2011/61/EU of the European Parliament and of the Council with respect to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

Law no. 243/2019 on the regulation of alternative investment funds amending and supplementing certain normative acts (AIF Law), 5th Section – Specific requirements applicable to various AIFs destined for retail investors, Subsection 5.1 – diversified AIFMs – art. 39

FSA Regulation no. 7/2020 on the authorization and functioning of alternative investment funds.

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1. General description

EVERGENT Investments SA is classified according to applicable regulations such as:

- Alternative Investment Fund (AIF) for retail investors, self-managed, authorized by the FSA as alternative investment fund manager (AIFM);
- Closed-end AIF, defined under art. 1, paragraph (3) of (EU) Regulation no. 694/2014, listed. EVERGENT Investments SA shares do not have a buy-back option and shareholders do not have the right to request the purchase of their shares by the company;
- AIFM of significant size, considering the value of managed assets, of over 200 million euros, RON equivalent, foreseen in art. 7, paragraph (3¹) of FSA Regulation no. 10/2015 on the management of alternative investment funds.¹

The Investment Policy is approved by the GMS and defines the general action framework, depending on long-term investment objectives, establishing the methods for the implementation of strategies that are adequate for the economic cycle, under prudent conditions.

The investment strategy targets efficient investment in financial instruments, abiding by the investment limits and investment policy established by own management.

Establishing the main development directions for the company and drafting the investment strategy of EVERGENT Investments is the attribute of the Board of Directors.

¹ Art.7, paragraph 3¹ of FSA Regulation no. 10/2015

In applying the provisions of item 3 of Annex no. 1 to Law no. 74/2015, art. 42, paragraph (1), letter d) and art. 43, paragraph (2), letter b) of (EU) Regulation no. 231/2013 it is considered that AIFMs of significant size are the FSA authorized AIFMs that manage AIF portfolios with an asset value of at least 200 million euros, RON equivalent or that have had an average number of at least 30 full time employees in the previous calendar year.

The investment strategy focuses on the professional management of resources/assets available for the purpose of achieving the objectives established by the shareholders and obtaining average and long-term income.

The stated objective of EVERGENT Investments is “increasing asset value through investments made mainly in securities with Romanian shares as underlying assets”.

Investment activity is carried out abiding by the prudential and legal exposure limits and in agreement with macroeconomic tendencies.

The activity is processed internally, regulating both the way investment policies and strategies are set and the method through which the company can change its investment policy and strategy. If the evolutions monitored require amendments or corrections to have the expected result, they will follow the initial process for drafting and approval, up to the level of approval within the Board of Directors.

Key elements:

- **The investment policy's** main objective is the long-term value increase of the assets under management, an essential element for the consolidation of investors' trust.
- **Capital operations, such as:**
 - share capital increase in order to provide resources for the implementation of investment programs,
 - capital lowering for the purpose of increasing investors' returns,
 - share buy-back programs for the purpose of reducing the share capital by canceling shares and for the purpose of increasing management and employee interest in increasing the efficiency of the management act and in agreement with legal AIFM/AIF regulations on remuneration,
 - nominal value splitting and consolidation.

- **Shareholders' remuneration policy**

EVERGENT Investments undertakes a predictable dividend policy.

The company aims to offer its shareholders a competitive dividend yield in the capital market.

Considering capital market volatility, the Board of Directors seeks to find a balance between the need to provide resources to support future investment programs, short-term shareholder expectations, namely dividend distribution and long-term shareholder expectations on NAV increase and, implicitly, share price increase.

The Board of Directors intends to remunerate shareholders both by offering cash dividend and by running buy-back programs. The company returns value to its shareholders through this calibrated mix each year, in the interest of shareholders who benefit from both dividend distribution and increased asset value over time.

The substantiation of investment strategies is done by specialized structures, with personnel that have adequate skills, knowledge, experience and an adequate understanding of the assets that EVERGENT Investments invests in.

Implemented principles:

- high level of diligence in the selection and permanent monitoring of investments in accordance with the objectives approved by the shareholders and with the macro-economic trends;
- observance of prudential, legal and risk limits in the implementation of investment programs;
- continuity of strategic orientations in a medium and long time horizon;
- ensuring decision-making transparency through releases to investors;
- calibration of investment-divestiture programs according to cash needs for dividend distribution to the shareholders.

Investment opportunities are selected depending on:

- the potential for medium and long-term growth in the value of the assets and the activity sector, parallel with the implementation of rigorous control of potential risks.
- speculative potential for shares listed on the stock market
- opportunity to obtain control and implement strategic decisions within a company.

Annual investment objectives are substantiated and established through annual activity programs. Thus, the investment strategy of EVERGENT Investments was defined by the following characteristics:

- a portfolio mainly comprised of shares.
- orientation towards listed shares, mainly traded on the Romanian market.
- defining the Financial-banking and Energy – industrial portfolios. The portfolios are subjected to a permanent adjustment process in agreement with macroeconomic tendencies and provides an important dividend flow, as well as cash source for investment programs
- the sale of the share portfolio stemming from the privatization process of the Sell portfolio and the guidance of the sums obtained towards performing sectors and assets.
- development of the Private equity portfolio, including through the direct implementation of projects specific to this type of investment.

2. Eligible asset categories for EVERGENT Investments SA, diversified AIFM

EVERGENT Investments S.A., diversified alternative investment fund destined for retail investors (diversified AIFRI), self-managed, has a diversified investment policy with investment limits on assets/categories of assets and may invest in the following asset categories, in compliance with the applicable legal provisions:

2.1. EVERGENT Investments S.A.'s investments can be made exclusively in one or more of the following assets:

a) securities and money market instruments registered or traded on a trading venue in Romania or a member state.

b) securities and money market instruments allowed at the official listing of a third state market that operates regularly and is known and open to the public, provided that the selection of the market is approved by the FSA, in compliance with the eligibility requirements foreseen by art. 42 of FSA Regulation no. 7/2020.

c) newly issued securities that are the object of a public offering to be admitted for trading, abiding by all the following conditions:

(i) The issue documents shall include a firm engagement according to which it requests the allowing for trading on a trending venue or trading on a stock market in a third party state that operates regularly and in known and open to the public, provided that the selection of the trading venue or stock market is approved by the FSA or is foreseen in the fund rules or in the investment company's Articles of Association, approved by the FSA.

(ii) this approval should be ensured within a maximum term of one year from issuance;

d) holding titles of UCITS or AIFs established in member states or not, with the cumulative fulfilment of the following conditions:

(i) AIFs are authorized or registered;

(ii) AIF activities are the object of regular reports that allow a valuation of assets and liabilities, income and operations from the reporting period, in accordance with the redemption frequency offered to investors, as applicable;

(iii) the AIF profile falls within the liquidity profile of the AIF established by the AIFM in compliance with art. 4, paragraph (11) of Law no. 243/2019.

The Company invests exclusively in UCITS and AIFs that, through their association documents or other relevant document, ensure the individual segregation of held assets or their segregation in omnibus accounts that are reconciled by the depositary of UCITS/AIFs at least with a regularity similar to the subscription or redemption frequency offered to the investors of the respective UCITS/AIFs. An omnibus account that may include the assets of more clients of UCITS/AIF depositaries may not include the own assets of the UCITS/AIF depositary or of assigned third entities.

e) deposits set up with credit institutions that are returnable by request or offer withdrawal right, with a maturity that does not exceed 12 months, provided that the headquarters of the credit institution be located in Romania, a member state or a third party state, in which case the credit institution should be subjected to prudential rules similar to those issued by the European Union;

f) derivatives, with final settlement in money or instrument's underlying share, traded on a trading venue or a stock market in a third-party state, under letters a) and b) and/or derivatives negotiated outside regulated markets, provided that the following conditions are met cumulatively:

- (i)** the underlying asset shall consist in the instruments foreseen in this article, as well as financial indices, interest rates, precious metals, energy products and exchange rates;
- (ii)** the counterparties, in the context of trading outside regulated markets, are entities, subject to prudential supervision, belonging to the categories approved by the FSA;
- (iii)** derivatives traded outside regulated markets are subject to daily and verifiable valuation and may be sold, liquidated or the position may be closed out daily, at fair value, in an opposite transaction;

g) monetary market instruments, other than those traded on a trading value, that are liquid and have a value that can be accurately determined at any time, apart from commercial papers, provided that the issue or issuer be subjected to the regulations on the protection of investors and their savings and the instruments:

- (i)** be issued or guaranteed by a central, local or regional administrative authority, a central bank in a member state, Central European Bank, European Union or European Investment Bank, a third-party country or, for federal states, by one of the federation members or a public international body to which one or several member states belong; or
- (ii)** be issued by a body whose titles are negotiated on regulated markets, mentioned under letters a) and b); or
- (iii)** be issued or guaranteed by an entity subject of prudential supervision, according to criteria defined by European legislation or an entity that is subject to prudential rules and complies to them; the rules are validated by the FSA as equivalent to those foreseen by European legislation; or
- (iv)** be issued by other entities belonging to the categories approved by the FSA, provided that investments in such instruments be subject to a protection of investors, equivalent to that foreseen under items (i), (ii) and (iii) and that the issuer be a company whose capital and reserves reach at least the RON equivalent of 10.000.000 euros, which presents and publishes its annual financial statements in compliance with the applicable European legislation or an entity which, within a group of companies including one or more listed companies, has the role of financing the group or is an entity dedicated to the financing of security vehicles that benefits from a banking financing line;

h) shares of limited liability companies, regulated by Law no. 31/1990, republished with the later amendments and additions, whose annual financial statements are audited according to the law;

i) securities defined in art. 3, paragraph (1), item 26 of Government Emergency Ordinance no. 32/2012² that are not admitted to trading in a trading venue or are not traded on a stock market in a third party state;

(1) The company invests in corporate bonds not admitted to trading on a trading venue, abiding by at least the following conditions:

- a) the corporate bond issuer must have been in business for at least 2 years at the time of placing the corporate bond issue. If the corporate bond issuer has less than 2 years of activity, EVERGENT Investments invests only in corporate bond issues guaranteed by a credit institution authorized by the B.N.R. or by a Romanian branch of a credit institution authorized in another member state or with other liquid/enforceable collateral representing at least 100% of the value of the corporate bond issue.
- b) the annual financial statements of the corporate bond issuer must be audited in compliance with the law and must not indicate any significant risks, such as creditworthiness, liquidity or solvency risks, with respect to the financial position of the corporate bond issuer that would result in not abiding by the payment obligations of coupons and principal corresponding to the corporate bond issue;
- c) the issuer of corporate bonds must not be registered on the list of taxpayers with tax arrears published on the website of the National Tax Administration Agency;
- d) the issuer of corporate bonds has registered a profit in at least the last 3 consecutive financial years, as it results from the related annual financial statements, audited according to the law; if the issuer of corporate bonds has less than 2 years of activity, then it has recorded a profit in all financial years.

(2) The statement of guarantees foreseen under paragraph (1), letter a) is submitted to the FSA with the first weekly report on the statement of EVERGENT Investments' net asset, after the investment is made.

(3) In applying paragraph (2), the statement of guarantees foreseen under paragraph (1), letter a) that can be bank guarantee letters, the insurance of the bonds issue by an insurance company or other similar substantiating documents issued by financial institutions or the legal representative of the issuer of that collateral include the signature of the responsible individuals within EVERGENT Investments and that of the depositary's representative.

(4) The valuation of such guarantees shall be carried out off-balance sheet in compliance with the rules applicable to the valuation of EVERGENT Investments assets.

(5) The valuation of corporate bonds for which the payment of the principal and related coupons has not been honored when due shall be carried out at the value of 0 (zero)

² art. 3, paragraph (1), item 26 of Government Emergency Ordinance no. 32/2012: securities:

- a) shares and other share –equivalent values;
- b) bonds and other debt securities;
- c) any other negotiable securities that give the right to acquire those securities by subscription or exchange.

or at the value of the executed guarantee, as applicable, additional investments in financial instruments issued by the same issuer being prohibited.

(6) If the amounts are not collected within 10 working days from the term foreseen in the issuance prospectus, the directors of EVERGENT Investments SA shall initiate and inform the FSA about the legal actions to recover the amount receivable.

EVERGENT Investments has an internal methodology for the selection of corporate bonds not allowed for trading that includes an analysis of the credit risk of the issuer of corporate bonds not allowed for trading and is based on at least the following principles:

- a) quantification of the credit risk of the issuer of non-traded corporate bonds and assessment of the probability of its insolvency and the corporate bonds issue not admitted to trading, based on a valuation model;
- b) the use of qualitative indicators for the assessment of the issuer's credit risk, taking into account the national and international macroeconomic situation and existing market conditions;
- c) the use of the rating provided by a credit agency registered by ESMA or internationally recognized or of the indicative quotations provided by specialized agencies, based on the principle of comparison with other similar financial transactions, if available;
- d) the cost-benefit analysis of the reliability and economic profitability of the investment purpose for which the issuer of corporate bonds not admitted to trading aims to draw financing;
- e) analysis of the liquidity of the issue of corporate bonds not admitted to trading in relation to other securities issued by the same issuer.

These provisions do not apply if the corporate bonds not admitted to trading are issued by a company in which EVERGENT Investments holds at least 51% of the share capital.

j) currency, purchased on the internal market, freely convertible, according to BNR criteria;

k) state titles;

l) real estate assets, abiding by FSA regulations. Property assets are defined according to art. 2, letter b) of Law no. 243/2019, as an existent building whose completion is certified based on a reception minute or a piece of land;

m) greenhouse gas emission certificates, as defined by art. 3, letter b) of Government Ordinance no. 780/2006 on setting the trading scheme of greenhouse gas emission certificates, with its later amendments and additions;

n) tangible and intangible assets that are strictly necessary to carry out the activity.

2.2. EVERGENT Investments SA investments, diversified AIFRI, shall be made abiding by the following limits:

- a)** it cannot hold more than 10% of assets in securities and money market instruments issued by the same issuer, with the exception of securities or money market instruments issued or guaranteed by a member state, local public authorities of the member state, a third-party state or international public bodies of which one or more member states are a part of. The 10% limit may be increased up to maximum 40%, provided that the total value of securities held by the AIFRI in each of the issuers in which it has holdings of up to 40% does not, under any circumstance, exceed 80% of its asset value;

- b)** it cannot hold more than 50% of assets in securities and money market instruments issued by entities belonging to the same group defined under art. 2, letter j) and in the case of the Group that the AIFM managing that particular AIF is a part of, this limit is 40%;
- c)** the exposure to counterparty risk in a transaction with derivatives traded outside regulated markets cannot exceed 20% of the company's assets, irrespective of the counterparty of the transaction;
- d)** the overall exposure to derivatives may not exceed the total value of its asset;
- e)** the value of current accounts and cash abide by a maximum of 20% of its assets; the limit may be exceeded up to a maximum of 50%, provided that such amounts come from the shareholding issue, from investments at maturity or the sale of financial instruments in the portfolio and that exceeding be no longer than 90 days;
- f)** it may not set up and hold bank deposits made with the same bank, representing more than 30% of the company's assets;
- g)** it may not hold more than 20% of the company's assets in shareholdings not admitted to trading on a trading venue or on a stock exchange in a third-party state, issued by a single AIF for retail investors;
- h)** it may not hold more than 10% of its assets in shareholdings not admitted to trading on a trading venue or on a stock exchange in a third-party state, issued by a single AIF for professional investors;
- i)** it may not hold more than 50% of its assets in shareholdings not admitted to trading within a trading venue or on a stock market from a third-party state, issued by other open-type AIFs. For the Group that the AIFM managing that AIF is part of, the holding limit is over 40% of its assets;
- j)** it may not hold more than 40% of the company's assets in shareholdings issued by a single UCIT authorized by the FSA or by a competent national authority from another member state, as well as in securities issued by a single collective placement body admitted for trading on a trading venue in Romania, another member state or a stock market in a third-party state;
- k)** it may not grant financial instrument loans representing more than 20% of its assets, the period of granting the loan may not exceed 12 calendar months, in compliance with the regulations issued by the FSA on margin transactions and lending operations; the limit of 20% of its assets can be increased up to 30%, with the approval of the FSA, under the conditions established by FSA regulations;
- l)** it may not grant cash loans, may not participate/subscribe to syndicated loans, cannot guarantee cash loans for a third party, with the exception of entities from the group that the AIFRI established as an investment company is a part of, within the limit of 10% of its assets and may not directly purchase, partially or fully credit portfolios issued by other financial or non-financial entities, with the exception of investments in financial instruments issued by internationally renowned financial institutions, credit institutions or non-banking financial institutions authorized by B.N.R. or other central banks from a member state or a third-party state; 01/24/2020 – Derogation by Law no. 243/2019.

- m)** it may not hold more than 40% of its asset value in securities, money market instruments not admitted to trading on a trading venue or stock market from a third-party state, with the exception of state titles and bonds issued by the Ministry of Public Finance, as well as holdings acquired by that AIFRI by law, in which case the holding limit is not applied;
- n)** it may not hold more than 20% of the value of its assets in shares issued by limited liability companies, regulated by Law no. 31/1990, republished, with its later amendments and additions; the provisions of the hereby letter do not apply for an AIFRI specialized in real estate investments;
- o)** it may not hold more than 10% of the value of its assets in greenhouse gas emission certificates, as defined in article 3, letter (b) of Government Decision no. 780/2006, as subsequently amended and supplemented.

If these limits are exceeded, exclusively in situations independent of its will, EVERGENT Investments SA is bound to return to the abidance by the legal requirements within 30 days from the date that particular limit is exceeded. The company is bound to inform the depositary of the assets and FSA within two working days, about the exceeding of the limits, within a document that includes the justification of the causes that led to this situation, as well as a plan of measures to return to abiding by the legal requirements within 30 days from the infringement date.

EVERGENT Investments SA's investment policy has the following legal restrictions:

- it may not engage in short selling, as defined according to the provisions of (EU) Regulation no. 236/2012 of the European Parliament and of the Council of March 14, 2012, on short selling and certain aspects of credit default swaps, except for risk coverage purposes, namely hedging, in compliance with article 33, paragraph (1) of the AIF Law.
- it does not invest in monetary market instruments such as commercial papers.

Information on the Investment Policy is provided to shareholders through the Annual Activity Program (approved by the Ordinary General Meeting of Shareholders) and through the regular Board of Directors activity reports informing on the implementation of the investment policy.

The above-mentioned documents are posted on the EVERGENT Investments SA website, www.evergent.ro, in the Shareholders/GMS and Regular Reports modules.

3. Allocation of assets

EVERGENT Investments has a predominant exposure on the Romanian capital market, mainly in the banking and energy fields.

The strategic exposure on the two key sectors, energy-utilities and financial allow for possible adjustments/issuer, total or in part, depending on the results of performance improvement techniques and return/risk analysis.

We believe the energy and banking sectors remain the sectors with the highest dividend potential in the long term, the main profit and income source for EVERGENT Investments. The exposure to energy and utilities issuers takes into account their ability to deliver consistent and predictable dividends.

EVERGENT Investments has a mixed resource allocation strategy with respect to the capital market, parallel to the implementation of private equity type projects that offer added long-term return.

4. Private equity investments

EVERGENT Investments aims to invest in companies with share appraisal potential, regardless of the industry they perform in.

The emphasis is on creating value and share appraisal, with the priority being gain reinvestment, as opposed to dividend payment, following the long-term appraisal of shares compared to short-term value.

The investments mainly aim at the real estate and agribusiness sectors in which opportunities with medium and long-term growth potential are identified. In addition, opportunistic investments can be made in other areas of particular interest, such as IT&C.

Indirect investments in the real estate sector, usually through companies controlled by EVERGENT Investments, target all branches - residential, office, industrial, commercial etc. – either through the residential development of key properties in EVERGENT Investments' portfolio or through new projects.

The private-equity approach involves a direct implication in entrepreneurial projects and leads to the profitability increase of managed assets, with the purpose of lowering the magnitude of negative evolutions on the capital market.

The investment policy aims to ensure that the unlisted company's activity is in agreement with the investment strategy, without being the main investment policy, and within the legal and prudential risk limits of EVERGENT Investments.

The investment policy in unlisted companies is made abiding by the following applicable legal provisions:

1. reporting obligations - notifies the FSA, the company and shareholders on control gain and notifies the FSA on the unlisted company's voting right weight every time that weight reaches, exceeds or drops under 10%, 20%, 30%, 50% and 75%.
2. communication to the controlled company and shareholders of: i) the policy for the prevention and management of conflicts of interest (especially between EVERGENT Investments and companies) and ii) internal and external communication policy of the company, especially concerning the employees.
3. communicating the information regarding the investment to the FSA.
4. includes at least one fair analysis of the company's activity evolution in EVERGENT Investments' or the company's yearly report, that presents its status at the end of the period targeted by the yearly report.
5. a high degree of diligence is applied in selecting and monitoring investments. The selection of projects takes into consideration the abidance by a set of conditions:
 - compliance with the annual investment objectives and abidance by the performance/risk criteria (ensuring a minimum IRR of the project, approved by the Board of Directors);
 - compliance with the prudential limits of the investment policy, as defined by the specific regulations.

EVERGENT Investments implements a multiannual investment policy, with a return potential reaching maturity within a term of up to 10 years. The divestiture strategies are adapted to the specificity of each investment and may include stock exchange listings, direct sales or other exit mechanisms that maximize return.

5. Leverage effect

Leverage effect, according to the definition in Law no. 74/2015 means “any method through which an AIFM increases exposure of the AIF it manages either through cash or security loans or through derivative positions or any other means.”

Leverage effect is expressed as a percentage in the company's NAV exposure and is calculated both through the gross and the “commitment” method:

- according to the gross method, exposure represents the sum of the Company's positions (including all holdings) after the deduction of cash and cash equivalents that represent very liquid investments held in the basic currency, can be quickly converted into a known amount in cash, are subjected to a non-significant risk of value change and offer a yield that does not exceed the *rate of some three months' governmental bonds*, of high quality, without taking into consideration hedging and settlement techniques.
- according to the commitment method, exposure is calculated without eliminating the cash and cash equivalents balance, after the hedging and settlement positions have been settled among themselves, if applicable.

Dividends due and unpaid held in the EVERGENT Investments' portfolio are not treated as cash or security or derivative loans.

EVERGENT Investments' policy on the use of the leverage effect:

- a) The leverage effect used by EVERGENT Investments SA is insubstantial as provided for in art. 110 (3), letter c) of EU Regulation no. 231/2013;
- b) *The maximum level* of leverage EVERGENT Investments can employ is 2 times the total net asset value (NAV), a level considered reasonable for a diversified AIFRI, taking also into account the following legal aspects:
 - FSA Regulation no. 7/2020, art. 35, paragraph (2), letter d) "overall exposure to derivatives *may not exceed the total value of its assets.*"
 - Recommendation of the European Committee for Systemic Risk regarding liquidity risk and leverage risk in investment funds (CERS/2017/6; 2018/C 151/01) for OPCVM "therefore, concerning OPCVM that use both cash loans and financing operations through financial instruments or derivatives, leverage can be *up to max. 2.1 times higher than the NAV*".

In comparison with OPCVM, that are strongly regulated investment funds, AIFs are investment funds that are allowed to invest in assets similar to those of OPCVM, but are not the object of such detailed restrictions concerning diversification, liquidity or leverage.

- There is no regulated leverage level. AIFs only have the obligation to report the use of leverage.
- c) The leverage sources of EVERGENT Investments according to legal provisions:
 - Cash loans;
 - Security loans;
 - Derivatives for investment purposes; this category does not include derivatives for risk coverage, that do not lead to the increase in EVERGENT Investments' exposure.
 - d) The Company, through its risk management function, regularly monitors the leverage level of the AIF to verify that they abide by the established limits.
 - e) The company shall report with respect to the use of leverage in accordance with the legal provisions applicable to AIFMs and AIFs, namely:
 - Monthly statement of net asset, according to Annex 11 of FSA Regulation no. 7/2020 - shall include an explanatory note: the assessment methods used for those financial instruments for which assessment methods compliant with assessment standards in force have been used shall be detailed (compliant with the fair value principle), the leverage level and value of AIFRI exposure calculated according to the provisions of (EU) Regulation no. 231/2013 (according to art. 38, paragraph (4) of Law no. 243/2019).
 - Quarterly report in accordance with Annex IV of EU Regulation no. 231/2013 – the main source of the report is net asset data.

6. Policies and procedures to adopt investment decisions abiding by the investment strategy, objectives and risk profile.

EVERGENT Investments' policy on sustainable investments

EVERGENT Investments establishes and applies policies and procedures regarding the decision-making process in order to make sure that investment decisions are taken abiding by the investment strategy, objectives and risk profile.

EVERGENT Investments applies a high level of diligence in the selection and permanent monitoring of investments, it establishes and institutes written policies and procedures regarding due diligence and applies efficient measures to make sure that investment decisions made on behalf of EVERGENT Investments are enforced in compliance with the objectives, investment strategy and risk profile.

In this framework, departments that ensure the portfolio management function are assigned tasks and responsibilities regarding the conduct of the investment process. Higher management regularly receives reports on the implementation of investment strategies.

Investment decisions are analyzed from the perspective of their observance of risk limits in the Risk Management department.

The following steps are used in the process of *substantiation, preparation and implementation of investment or sales projects* on financial markets whose subject-matter are financial instruments defined by the legislation in force, in compliance with prudential rules regarding the investment policy, the following steps shall be taken:

1. collection of information;
2. analysis of financial instruments and preparation of the analysis material;
3. approval of the analysis materials and investment/sales programs, availability of financial resources;
4. implementation of investment/sales programs;
5. follow-up of the results of the implementation of investment/sales programs;
6. reporting the results and correction of programs.

In the process of *monitoring issuers in the portfolio*, the following are considered:

1. analysis of the quarterly, half-yearly/yearly financial statements, Board reports, censors/auditors regarding them and the preparation of professional opinions and reports regarding the assigned portfolio and registration of the necessary information in the database according to specific procedures.
2. analysis of the meeting materials and any other relevant information and preparation of suggestions regarding the voting method, taking into account the market context and the sector that the issuer is part of, in order to identify the best representation solution with the purpose of protecting EVERGENT Investments' interests. Proposals are submitted for

the approval of EVERGENT Investments' management.

3. taking the necessary steps to obtain documents that are useful for monitoring issuers' evolution and the effects of the implementation of GMS resolutions;
4. ensuring the registration of necessary information regarding the issuers in the portfolio in the integrated IT system.

EVERGENT Investments' policy on sustainable investments

According to transparency principles regarding sustainability risks foreseen in EU Regulation 2019/2088, supplemented with EU Regulation 2022/1288, we publish information on our policies on the integration of sustainability risks in the investment decision-making processes.

Sustainable investments represent investment processes that take into consideration the influence of social aspects and corporate management environment (ESG) in the financial analyses and in the decision-making process.

In the sense of art. 2, item 17 of EU Regulation 2019/2088, a sustainable investment is defined as follows:

„Sustainable investment” means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste and greenhouse gas emissions, as well as its impact on biodiversity and circular economy or an investment in an economic activity that contributes to a social objective, especially an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations or investments in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, especially with respect to sound management structures, employee rapports, remuneration of relevant staff and compliance with tax obligations.

EVERGENT Investments does not take into account, for the time being, the potential negative effects of investment decisions on sustainability factors, for the following reasons:

- The assessment of sustainability risks is a complex process that can be carried out based on available data regarding environment, social and governance aspects. For the purpose of collecting gross data on sustainability, EVERGENT Investments may resort to the data provided by the companies in the portfolio.
- There is still limited availability and non-unitary principles of ESG data and information with respect to the issuers that are active on the local financial market. Therefore, although we have a policy and formalized procedures regarding the integration of sustainability risks in the investment decision making process, in the short and medium term, the most certain identification and prioritization of the main negative effects of investment decisions on sustainability risks and calculation

of the indices foreseen in table 1, annex 1 of (EU) Regulation no. 1288/2022.

- The complexity and novelty of the formulated requirements within the already published regulations and in the technical standard projects continue to require adequate time for substantiation and additional professional training in order to properly understand and apply them.
- Available information regarding environment, social and governance aspects are difficult to obtain and may be limited, outdated and inaccurate. Obtaining such information does not offer any guarantee regarding the correctness or accuracy of the risk assessments made based on them.
- The statement on the main negative impacts of investment decisions on sustainability factors should include a lot of technical information that is difficult to quantify by most portfolio companies.
- The estimated likely effect of sustainability risks for the portfolio managed by EVERGENT Investments is not a high one.

Concerned about the effects of its investment decisions on sustainability factors, EVERGENT Investments will take into account the issues set out in the above recitals and expresses its intention to, depending on their clarification, to analyze and decide with respect to taking into account the negative effects of investment decisions on sustainability factors, with appropriate information to investors with respect to any new concrete actions taken in this regard.

EVERGENT Investments believes in the importance of sustainable investments and incorporating ESG factors into investment decision-making. Furthermore, active interaction with the companies which we invest in is another key element of investment risk management. As ESG mainstreaming efforts in Romania continue to evolve, EVERGENT Investments' approach will continue to evolve through collaboration with all company stakeholders so that the approach is transparent and tailored to their needs.

Internal Control Mechanisms

EVERGENT INVESTMENTS has developed internal control mechanisms that ensure that the assets managed by EVERGENT Investments are invested in compliance with the rules and legal provisions in force.

Departments that are independent from other functions and activities have attributes related to EVERGENT Investments' investment activity, in compliance with the rules and legal provisions in force and internal procedures:

- compliance position - provides compliance endorsement for the substantiation of the investment, endorses the development of new strategies, investment policies, investments on new markets and new products;
- risk management position:
 - implements efficient risk management policies and procedures, for the identification, measurement, management and permanent monitoring of all risks that are relevant for EVERGENT Investments' investment policy that the company is or could be exposed to.
 - monitors the established risk limits and ensures that EVERGENT Investments' risk profile as notified to investors is abided by.
 - related to investment diligence: drafts risk analyses regarding the investment and sales operations of financial instruments, according to the "Prior Verification when investments are made" procedure.
- internal audit function – conducts an independent and objective evaluation of the management processes of EVERGENT Investments' assets and of the corresponding risks, in order to offer assurance regarding the legality, regularity, activity efficiency and effectiveness and carried out operations.

The materials are presented to the management structure (Board of Directors, executive management).

Strategies to exercise voting rights within the companies in the portfolio

EVERGENT Investments has established policies and procedures regarding the moment and method of exercise for votes corresponding to instruments held in the managed portfolios that it applies. Strategies foresee measures and procedures for:

- a) monitoring of relevant shares on companies' level;
- b) ensuring that voting rights are exercised in compliance with the objectives and investment policy of the AIF in question;
- c) prevention and management of any conflicts of interest that stem from exercising voting rights.

a) Monitoring relevant shares on companies' level

In order to exercise shareholder attributes in good condition, the following activities are carried out with respect to the companies in the portfolio:

- Following the publication of the GMS convening notices, investment analysts and portfolio managers responsible for that particular issuer analyze the convening notice and submit suggestions to the management of EVERGENT Investments regarding: i) a request to supplement the agenda, suggestions for Board member nominations, requests to supplement informative materials according to the law and ii) proposals for representation and vote in the GMS for the purpose of protecting EVERGENT Investments' interests and in compliance with the strategy approved by EVERGENT Investments' shareholders.
- Representing portfolio companies in the GMS is carried out through a legal representative based on a proxy or vote ballot by correspondence.

b) Ensuring the exercise of voting rights in compliance with the objectives and investment strategy of EVERGENT Investments SA

EVERGENT Investments has set a procedure for its activity regarding the *exercise of EVERGENT Investments' shareholder attributes in the companies in its portfolio*, a procedure that includes the general framework for the operations concerning:

- 1) drafting general proxies of representation that are entered into by EVERGENT Investments as Represented and the Representative or in the General Meeting of Shareholders -if the Representation is done by external collaborators;
- 2) main analysis elements of the General Meeting convening notice – form aspects regarding legality matters, as well as fund aspects regarding the issues on the agenda in terms of society and shareholder interest;
- 3) preparing for GMS participation: analysis of the documentation and information provided to the shareholders and substantiation of the vote option;
- 4) granting the representation mandate or the correspondence ballot;
- 5) participation in the GMS is made using any of the participation, representation and voting exercise means foreseen by the legislation in force.

EVERGENT Investments always exercises its vote following a substantiated analysis.

The implicit position is to vote “for” for the proposals of the Board of Directors of companies in the portfolio. Depending on the topics presented for discussion and real information and opportunity conditions for which the shareholders' vote is required, following the analyses made by the specialized departments, our vote may be “abstain”, “against” or non-participation if the adoption of these positions are in EVERGENT Investments' favor.

- In compliance with the best practices, EVERGENT Investments typically **supports** the suggestions of the companies' managers regarding: a change in the name, a change of headquarters, stock exchange listing, establishing the venue and date for the annual

general meeting, approving the financial statements, approving dividend payment, authorization of the transfer of reserves and income allocation, amendments to the individuals with signing authorization, approving accounting bookkeeping methods, approving work agreements, appointing internal auditors.

- With respect to matters related to the Board of Directors, EVERGENT Investments typically takes into consideration supporting management. Nevertheless, the vote against management suggested resolutions will be considered in case corporate performance has been weak.
- EVERGENT Investments will consider voting „**for**” regarding: cumulative vote – for the protection of minority shareholders, share capital increase through reserve contribution, share buy-back programs in case all shareholders can participate under equal conditions, lowering share capital following the cancelation of bought-back shares.
- In case of voting for the following categories, EVERGENT Investments shall make **case to case analyses**: capital operations for which the premises of affecting EVERGENT Investments’ interests exist, contracting loans and pledging/mortgaging company goods, issuing corporate bonds, merger or division of the company, conversion of shares from one category to another, conversion of one category of bonds into another category or into shares, amendments to the Articles of Association, establishment or dismantlement of secondary offices (branches, agencies, representatives or other such units without legal personality, asset sales, early dissolution of the company).
- EVERGENT Investments shall consider voting „against” the increase of share capital with contributions in kind, share capital increase without preference right for shareholders.

In case it is considered, based on the professional reasoning and taking into account the actual situation regarding that particular company, that the implication of the shareholder EVERGENT Investments in the GMS is not necessary due to circumstantial situations or the general policy interests of EVERGENT Investments in relation to companies classified in different categories, the proposal is that the EVERGENT Investments shareholder shall not attend the GMS. The information regarding the adopted resolutions and the conduct of the GMS meeting shall be obtained at a later date.

Examples of situations that might justify the suggestion not to participate:

- possible conflict of interest between EVERGENT Investments and the company;
- lack of relevant information that allows the adoption of a decision regarding the operation submitted for approval;
- contradictory and unexplained information that may manipulate the shareholders’ will;
- legal strategies to protect EVERGENT Investments’ interests.

c) Prevention or management of any conflicts of interest stemming from the exercise of voting rights

EVERGENT Investments has prepared strategies and procedures to determine the moment and method of exercising the voting rights held in the share portfolio, for the exclusive benefit of the company and shareholders. Distinct rules are established for:

1. *Adopting investment decisions in private-equity type projects suggested by subsidiaries or by the Private-equity portfolio*

In order to avoid the possibility of a conflict of interest in the EVERGENT - subsidiary relationship regarding the adoption of investment decisions and in order to ensure that EVERGENT Investments' investment decisions shall be in the interest of EVERGENT Investments shareholders, at least the following rules shall be applied:

- (a) EVERGENT Investments shall only issue *special proxies* for all OGMS and EGMS items of the subsidiaries, based on Substantiation Notes;
- (b) Quarterly reports and reports on the abidance by the performance indicators from subsidiaries to EVERGENT Investments, in a format agreed on by the parties, are set as mandatory; the individual responsible for the portfolio has obligations regarding the current monitoring of the subsidiary (*subsidiary GMS resolution, administration/management contracts, performance indicators*).
- (c) With the start of an assessment/endorsement/approval process for investment projects suggested by EVERGENT Investments' subsidiaries, each involved person from EVERGENT Investments and the subsidiary are bound to fill in a statement that they are not in a conflict of interest.

The rule under item c) does not apply for private-equity projects directly documented by the Private – equity Portfolio.

2. *EVERGENT Investments' proposal to appoint directors*

The established rule is that employees who are related to directors, managers or significant shareholders of an EVERGENT Investments portfolio company shall not be appointed as directors, censors or auditors of that company.

According to the provisions of EVERGENT Investments' Articles of Association, members of the Board of Directors can be managers of companies in EVERGENT Investments' portfolio: art. 7, paragraph (9) *"In exercising their mandate, the members of the Board of Directors have the possibility to be elected for management and leadership roles in the portfolio companies, applying the internal policy of avoiding conflicts of interest."*

The hereby Strategy was revised in June 2025 and can be accessed on the EVERGENT Investments website, namely www.evergent.ro, under the section "Corporate Governance".

Claudiu Doros
President of the Board of Directors

Cătălin Iancu
CEO

Gabriel Lupașcu
Compliance Officer

