



# **Involvement policy and principles regarding the exercise of rights in the companies from EVERGENT Investments' portfolio**



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performance

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# **Involvement policy and principles regarding the exercise of voting rights in the companies from EVERGENT Investments' portfolio**

## **1. General framework**

The hereby policy has been drafted in compliance with the provisions of art. 101 of Law no. 24/2017, republished, on the issuers of financial instruments and market operations, in agreement with the Articles of Association, Corporate Governance Code and Internal Regulations of EVERGENT Investments.

The field of application of the *Involvement Policy* targets the issuers that are the public or private law legal entities headquartered in the European Union, whose shares are admitted to trading on a regulated market in the European Union.

Through EVERGENT Investments' involvement we understand:

- a) The monitoring of relevant aspects concerning issuers, including strategy, performance and financial and non-financial risks, capital structure, social impact including impact on the environment and corporate governance;
- b) Dialogue with the issuers;
- c) The active and informed exercise of voting rights and other prerogatives related to shareholder status, for the purpose of protecting and maximizing investment value in portfolio issuers;
- d) Cooperation with other shareholders, communication with relevant interested parties within the issuers;
- e) Management of real and potential conflicts of interests related to EVERGENT Investments' involvement.

EVERGENT Investments shall act in the best interest of its investors and shall follow an active involvement strategy in relation to the companies it invests in, for the purpose of improving their potential and increasing medium and long-term value and, implicitly, risk adjusted performance for its investors.

EVERGENT Investments shall provide the shareholders with information on the involvement policy and principles regarding the exercise of voting rights related to the instruments held in the managed portfolios, as well as any important amendments to it.

## **2. Company monitorization**

EVERGENT Investments diligently and consistently monitors relevant aspects related to the issuers it invests in, including strategy, performance, financial and non-financial risks, capital structure, social impact and impact on the environment and corporate governance, in compliance with legal provisions and applicable internal procedures.

Relevant aspects are those susceptible to significantly influencing the ability of the company to create long-term value and include both financial aspects and aspects related to sustainability.

Financial analysis may also consider quantitative and/or qualitative criteria, without being limited to them, such as:

- In the quantitative criteria category, we have indicators such as: *“price to earnings ratio”, “price to book ratio”, “Enterprise value/Earnings before interest, taxes, depreciation and amortization”*, capital return, dividend return and sustainability, level of indebtedness, capital and liability costs, operating margins, profitability margins etc.
- In the qualitative criteria category, we have information such as: shareholding structure, management quality, corporate governance code, strategy and perspectives of the company, transparency, field of activity, relevant market, competitiveness etc.

Under the sustainability component, the analysis may take into consideration the way in which issuers proceed to identify potential risks, especially those related to environment and social factors, as well as those regarding corporate governance that may have a significant impact on the medium and long-term performance of companies. At the same time, the analysis may also target the way in which those issuers ensure the transparency regarding this component and the extent to which they manage the impact of these factors on the company’s activity.

## **3. Dialogue with the issuers**

Along with the information obtained through direct analysis and research, EVERGENT Investments enters dialogue with the company representatives for the purpose of getting a clear image of the company’s financial position and main aspects related to its activity, including, as applicable, its sustainability component.

Permanent dialogue will also help with increasing the degree of awareness with respect to sustainable business practices, interaction with the issuers’ representatives taking place both during the initial due diligence process and as a part of the portfolio’s monitorization process.

The dialogue with the company’s representatives may be through direct contact, company headquarters visits, conferences and teleconferences.

#### **4. Exercising voting rights**

As an Alternative Investment Fund of the investment companies' type - F.I.A.S., Retail Investor Alternative Investment Fund – R.I.A.I.F. with a diversified investment policy, closed-end, self-managed, EVERGENT Investments exercises its voting rights corresponding to its shareholder status, in compliance with its own investments strategy and the objective of creating value in the medium and long-term for its shareholders.

The exercise of voting rights and assessment of the corporate governance code adopted by the issuers which EVERGENT Investments invests in represent important elements of the investment process.

##### **4.1. General principles**

EVERGENT Investments acts honestly, correctly, professionally and diligently, in accordance with its shareholders' best interests and abides by the principles of professional ethics established by legal regulations in force, its own Corporate Governance Code and established practices in the field.

EVERGENT Investments encourages the companies it is a significant shareholder of to include sustainability in their business strategy, to integrate sustainability related risks, to consider the negative effects on sustainability and sustainable investment objectives or promoting environment or social characteristics in the business decision-making process.

EVERGENT Investments encourages the companies to abide by good governance practices and guarantee the precaution principle of „not causing significant loss”, so that neither environmental, social nor governance objectives are significantly prejudiced.

The internal analysis for vote substantiation is made based on a procedure entitled „*Exercising the duties of EVERGENT Investments as shareholder in companies in the portfolio*”, procedure that governs the obtaining and analysis of materials and information provided to shareholders, in order to identify the best representation solution, for the purpose of protecting the Company's interests. Proposals are transposed in representation mandates, special proxies or vote ballots through correspondence approved by the CEO.

Thus, in compliance with best practices and provisions from the Corporate Governance Code, EVERGENT Investments supports, in principle, the proposals of the directors of companies in the portfolio regarding: name change, change of the headquarters on national territory, stock listing, establishing the venue and date for the annual general meeting, discussion on the financial statements, setting the dividend and its payment date, approval of the adequacy of the accounting bookkeeping methods, appointing internal and/or external auditors.

Furthermore, on justifying and exercising voting rights, information communicated by the company on its website or the website of the regulated market on which it is listed, analyses made within the portfolio, assessments of other market analysts targeting that company, as well as academic studies in the field are also taken into consideration.

EVERGENT Investments applies established policies and procedures regarding the time and method of voting right exercise related to the instruments held in managed portfolios.

The strategies foresee measures and procedures for:

- a) monitorizarea acțiunilor relevante de la nivelul societăților;
- b) ensuring the voting rights exercise in compliance with EVERGENT Investments' objectives and investment policy;
- c) prevention or management of any conflicts of interest resulting from the exercise of voting rights.

The exercise of shareholder attributions granted by Law no. 24/2017 on the issuers of financial instruments and market operations and FSA Regulations is done directly or through proxies in the General Meetings of Shareholders.

EVERGENT Investments established procedures for the activity regarding *the exercise of EVERGENT Investments' attributions as shareholder in companies in the portfolio*, procedure that includes the general framework of operations regarding:

- 1) Drafting special proxies entered into by EVERGENT Investments as Represented Party and its Representative in the General Meeting of Shareholders. In the exceptional case when representation is ensured by external collaborators, based on a general proxy, EVERGENT Investments grants it by abiding by incidental legal provisions;
- 2) The main analysis elements for the convening notice of the General Meeting and all materials related to the agenda – aspects related to form regarding the legality and compliance with the articles of association, as well as previous resolutions of the General Meeting of Shareholders, as well as aspects related to substance concerning the topics in the convening notice in terms of the company's interest, as well as the shareholders';
- 3) Preparation of GMS participation: analysis of the documentation and information provided to shareholders and substantiation of the voting option;
- 4) The issue, as applicable, of the proxy or vote through correspondence ballot, abiding by the legal provisions;
- 5) Participation to the GMS – is achieved by using any of the participation and representation forms for vote casting, as foreseen by the legislation in force and in compliance with the provisions of the issuers' articles of association.

EVERGENT Investments assesses its voting right following an informed decision, grounded on the documents and information obtained.

The implicit position is to vote “for” for the proposals of the Board of Directors of companies in the portfolio if they are justified, abide by the social interest manifested in the company's object of activity and the social benefit is substantiated by the management of the company. Depending on the topic presented for discussion and under real information and opportunity conditions, for which the shareholders' votes are requested, following the analysis made by the specialized departments, our vote can be “abstain”, “against” or non-participation if the adoption of these positions is necessary given the general policy and interest of EVERGENT Investments or are generated by the lack of accurate, full and

pertinent information.

If, based on professional reasoning and taking into consideration the concrete situation of that particular company, it is considered that the involvement of the shareholder EVERGENT Investments in the GMS is not necessary, given conjuncture and general policy interests of EVERGENT Investments, it will be suggested that the shareholder EVERGENT Investments should not participate in the GMS and the information regarding adopted resolutions and conducting of the GMS will be obtained at a later date.

Exemple (nelimitative) de situații care pot justifica propunerea de neparticipare:

- lack of certain relevant information that allow a decision to be made with respect to the operation presented for approval;
- contradictory or unclear information, that might manipulate shareholders' will;
- strategic decisions, including legal strategies to protect EVERGENT Investments' interests.

In exercising its voting rights, EVERGENT Investments takes into consideration the principles presented in the hereby policy, which, in its vision, have the purpose of favoring the decisions that contribute to the maximization of the issuer company's value and contribute to the avoidance of conflicts of interest.

These principles reflect the conviction of EVERGENT Investments, according to which a solid *Involvement Policy* ensures the proper framework for the management of the issuing company in the interest of its shareholders.

#### **4.2 Main resolutions submitted to a vote**

The principles presented below target the most important resolutions submitted to a vote during the General Meetings of Shareholders, such as:

- ✓ Shareholders' rights;
- ✓ Annual report and financial statements;
- ✓ Appointing the financial auditor;
- ✓ Electing the members of the Board of Directors or Supervisory Council;
- ✓ Remuneration policy;
- ✓ Measures regarding the structure of the company's capital;
- ✓ Mergers and acquisitions;
- ✓ Proposals with social and environmental impact.

Given that corporate governance is a complex field and is constantly evolving, the principles presented within the hereby policy are general guidelines that do not propose an all-encompassing approach to all aspects that might interfere with a company's governance.



EVERGENT Investments will analyze each resolution submitted to a vote, aiming to make a decision that best serves its shareholders' interests, based on the available information.

#### **4.2.1 Shareholders' rights**

EVERGENT Investments supports the equal treatment of all shareholders, compliant with the "*one share, one vote*" principle.

EVERGENT Investments will oppose any measure with the purpose of limiting shareholders' rights. For this purpose, EVERGENT Investments will oppose any measures having the following purpose:

- 4.2.1.1 Eliminating or restricting the shareholders' rights to request the convening of Extraordinary Meetings of Shareholders;
- 4.2.1.2 Limitation of shareholders' voting rights;
- 4.2.1.3 Issue of preferential shares with a higher voting right;
- 4.2.1.4 Limitation of shareholders' rights to revoke the company's management in case of infringement of the law or in case it acts against the shareholders' interests.

Totodată, EVERGENT Investments va susține:

- 4.2.1.5 Vote confidentiality and the establishment of independent committees for vote counting;
- 4.2.1.6 Facilitation of vote casting by shareholders, including through electronic means.

#### **4.2.2 Annual report and financial statements**

Financial statements should reflect the financial position of companies with maximum transparency. If the auditor's opinion is reserved or if the financial statements do not present the company's financial position in detail, EVERGENT Investments shall abstain or vote against the approval of the company's financial statements.

#### **4.2.3 Appointing the financial auditor**

The auditor has the duty of objectively verifying the annual financial statements and therefore it should be an entity that is independent from the audited company.

If the audit company also supplies services other than audit to the company, the situation must be brought to the attention of the shareholders and justified.

If EVERGENT Investments has reserves concerning the auditor's independence, it shall vote against its appointing.

#### **4.2.4 Election of the members for the Board of Directors or Supervisory Council**

EVERGENT Investments shall support appointing directors who stand out through their professional qualities and impartiality. For this purpose, in assessing the candidates for the position of member of the Board of Directors or Supervisory Council, EVERGENT Investments shall analyze their detailed CV, experience, good reputation, relationship with the company and field of activity, as well as the objectives they have set.

EVERGENT Investments shall support:

- a Board of Directors comprised of enough independent members to guarantee the protection of shareholders' interests;
- a remuneration policy for the directors that is directly connected to the company's long-term performance and abides by the responsibilities of directors and financial statement of the company;
- the setup of independent audit, remuneration and nomination committees;
- the members of the company's bodies should reflect the company's shareholding.

EVERGENT Investments shall vote against any discharge of directors if there are reserves regarding their performance or if there is proof of their infringement of legal provisions.

EVERGENT Investments va lua in considerare votul „pentru” in ceea ce privește votul cumulativ – pentru protecția acționarilor minoritari – ori de cate ori acesta este posibil.

#### **4.2.5 Remuneration policy**

EVERGENT Investments supports a remuneration policy that properly rewards and motivates the management of the companies and that is aligned with shareholders' interests, along with prudent risk management.

The remuneration policy promoted by the Remuneration Committee (or a similar structure) must consider the specific situation of the company, references in the industry, as well as the qualities of the directors that executive management tries to motivate. Variable payments should be strictly connected to the company's general performance.

EVERGENT Investments shall not support bonuses that are not correlated to the performance of the company or management on qualitative and/or quantitative criteria, as applicable.

At the same time, the Remuneration Committee should prevent contract agreements that give directors or executive managers the right to significant rewards in case of an anticipatory cease of the administration or management contract.

Rewards offered to the members of the Board of Directors or members of the Supervisory Council should be granted in such a way so as not to affect their independence or align them too tightly to the interests of the management they must supervise, according to incidental legal provisions.

#### **4.2.6 Measures regarding the structure of the company's capital**

EVERGENT Investments shall vote in favor of share capital increases, only to the extent that they serve for the company's long-term development.

EVERGENT Investments shall consider voting “*against*” share capital increase through contribution in kind or share capital increase without the granting of preference right to the shareholders and without an independent assessment of contributions – other than in cash.

EVERGENT Investments shall vote in favor of own share buy-back programs by the companies, only to the extent that these correspond to the shareholders' best interest.

If share buy-backs serve as defensive measures or have the purpose of strengthening the position of company management, EVERGENT Investments shall vote against such measures.

#### **4.2.7 Mergers and acquisitions**

EVERGENT Investments shall individually assess the benefits of such transactions and vote in favor of mergers and acquisitions, provided that:

- The transaction price accurately reflects the value of the company;
- The suggested transaction contributes to an increase in value for shareholders;
- There is a long-term strategy available, that proves the benefits of that merger or acquisition;
- If the transaction includes affiliates, the Board of Directors should prove that it does not affect shareholders' interest.

At the same time, EVERGENT Investments shall vote „*against*” any proposal that has the purpose of strengthening the position of the company's management to the detriment of the shareholders.

#### **4.2.8 Fixed income instruments**

The decision to vote on the matter of fixed income instruments shall be made following the assessment of the particularities of the resolution submitted to a vote and shall focus on the best interest of shareholders and investors.

At the same time, EVERGENT Investments shall verify if bonds issue perspectives foresee measures that contribute to the protection of investors' rights.

#### **4.2.9 Proposals with ESG factor impact**

EVERGENT Investments considers that environmental, social and governance factors may have a significant impact on the companies' long-term performance.

For this purpose, EVERGENT Investments analyzes the proposals and informative documents submitted by the issuers focusing on the extent to which the management team manages the impact of these factors on the company's activity, including through a high degree of transparency in this field (for example, by publishing sustainability reports, policies on sustainable investments).

Aspects related to environmental, governance and social factors presented to the shareholders by the issuers and submitted for the shareholders' vote may be the subject of general analyses if they are presented by the issuer as having a significant impact on it, taking into consideration the information supplied by the company.

In principle, EVERGENT Investments shall vote in favor of proposals regarding environmental, governance and social factors that promote responsible corporate activity and improve the long-term value of the company in the shareholders' interest. This decision is conditioned by the method of presentation and substantiation of these decisions and the existence of a real and quantifiable benefit for the company.

At the same time, EVERGENT Investments shall vote in favor of proposals requesting companies to report on policies, initiatives and its supervision mechanisms aiming at environmental, governance and social factors.

### **4.3 Vote casting**

Generally, EVERGENT Investments casts its vote directly, either through proxy within the general meetings of shareholders, or through electronic vote or vote through correspondence, in compliance with the legal provisions in force.

In certain situations, vote casting may involve logistic challenges that affect the ability of EVERGENT Investments to cast its vote, such as requirement to cast the vote in person or various requests that make voting through correspondence difficult. In these circumstances, EVERGENT Investments shall assess the benefits of vote casting in relation to associated costs.

EVERGENT Investments shall keep a record of the vote casting method within the issuers for a period of 10 years.

## **5 Cooperation with other shareholders**

EVERGENT Investments does not rule out one-off collaboration with other shareholders in issuers in which it has made investments to promote better corporate governance, more efficient risk management, improved transparency and performance standards.

EVERGENT Investments shall decide on the approach that best serves investors' interests, abiding by legal provisions, procedures and other internal regulations.

For example, EVERGENT Investments can cooperate with other shareholders when its holding in an issuer is under the 5% necessary to add items on the agenda or convene the General Meeting.

One-off collaborations with other shareholders do not automatically imply that this collaboration is permanent and/or could generate a concerted action.

In addition, EVERGENT Investments permanently carries out its own assessment regarding the vote that is to be cast and it represents its own adopted decision, in the interest of its own shareholders. A possible similarity of the vote cast by EVERGENT Investments within the issuers does not represent an alignment with the vote cast by other shareholders of the same issuer.

Moreover, the reproduction of the conduct and/or vote by other shareholders within the issuer does not imply a coordination of EVERGENT Investments with the respective shareholders.

## **6 Communication with the issuers' representatives**

In compliance with item 3 of the hereby Policy, EVERGENT Investments may start a dialogue with the representatives of companies in which investments were made, with the purpose of gaining as clear of an image of the company's financial position and its activity, without ignoring aspects related to sustainability.

EVERGENT Investments shall decide on the approach that best serves the shareholders' interest, without infringing any law or internal regulation. Dialogues with company representatives may be through direct or indirect contact, visits to the headquarters of companies, conferences and teleconferences, correspondence, informative or promotional materials.

The request for data and information within the communication operations with issuers' representatives is limited to public data and information, EVERGENT Investments being entitled to consider that, for all this information, the issuer has ensured the notification of all shareholders in an equal and non-discriminatory manner. As a result, it cannot be presumed that EVERGENT Investments has implicitly undertaken the obligation to ensure the confidentiality of this information.

## **7 Conflicts of interest**

All decisions on the involvement and exercise of voting rights by EVERGENT Investments in the issuers it invested in shall consider the best interests of EVERGENT Investments' shareholders.

If there are possible conflicts of interest in the exercise of voting rights by EVERGENT Investments in the General Meetings for issuers in the portfolio, we shall make sure that the interests of our own shareholders are protected. The norms on conflicts of interest foreseen by the legal provisions and internal procedures of EVERGENT Investments shall be considered.

On the level of EVERGENT Investments, as issuer and authorized AIFM, *Policies and Procedures regarding the Prevention of Conflict of Interest* are defined, in agreement with the applicable legal regulations. Through specific instruments and mechanisms, we target the proactive identification of possible situations with significant risks to prejudice EVERGENT Investments' shareholders, to adopt the best preventive measures.

The policy regarding the prevention of conflict of interest may be accessed on the website of EVERGENT Investments, namely [www.evergent.ro](http://www.evergent.ro), under Corporate Governance.

## **8 Update of the involvement policy**

Every time EVERGENT Investments considers it to be necessary and appropriate, the hereby Policy will be subjected to revisions, the results being communicated to shareholders, according to the legal regulations in force. The policy shall be reviewed every time there is a significant amendment, in compliance with the shareholders' best interest, the updated version always being displayed on the company's website.

## **9 Disponibilitatea politicii**

The Involvement Policy and Principles regarding the exercise of voting rights in companies may be accessed on EVERGENT Investments' website, on [www.evergent.ro](http://www.evergent.ro) under the Corporate Governance section.

The hereby Policy is supplemented with the provisions in the EVERGENT Investments Corporate Governance Code.

**Caudiu DOROȘ**

**President of the Board of Directors**

**Cătălin IANCU**

**CEO**

**Gabriel LUPAȘCU**

**Compliance Manager**