



## **Investment Strategy and Policy**



Drive for  
performance

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

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

Law 74/2015 on the issuers of alternative investment funds managers (AIFM Law).

Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard 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 AIF types for retail investors; Subsection 5.1 – diversified AIFMs – art.39.

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

## Contents:

1. General Description
2. Eligible asset categories for EVERGENT Investments SA, diversified AIFM
3. Allocation of Assets
4. Investments in private equity type programs
5. Leverage level
6. Policies and procedures that target the adoption of investment decisions abiding by the investment strategy, objectives and risk profile. EVERGENT INVESTMENTS' policy on sustainable investments
7. Strategies for vote right exercise in companies in the portfolio

## 1. General Description

EVERGENT INVESTMENTS SA is classified according to applicable regulations as:

- Alternative Investment Fund (AIF) for retail investors, self-managed, authorized by FSA as alternative investment fund manager (AIFM);
- Closed-end AIF, defined under art. 1 line (3) (EU) Regulation no.694/2014, listed. EVERGENT INVESTMENTS SA shares do not have 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 euro, the lei equivalent, foreseen by art. 7 line (3<sup>1</sup>) of FSA Regulation no. 10/2015 on the management of alternative investment funds.<sup>1</sup>

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

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

The setting of main activity and development directors for the company and preparation of the Investment Strategy of EVERGENT INVESTMENTS is the prerogative of the Board of Directors.

<sup>1</sup>Art.7 line.3<sup>1</sup> FSA Regulation no.10/2015

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

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

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

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

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

**Key elements:**

- The defined, solid/sustained **investment policy** is the base for the long-term increase of managed assets value, a ground element for the consolidation of investors’ trust.
- **Capital operations, such as:**
  - Share capital increase in order to provide resource 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 annulling the shares and for the purpose of increasing the interest of management and employees in increasing the efficiency of the management act and in agreement with legal AIFM/AIF regulation on remuneration,
  - Nominal value splitting, 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.

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

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

The substantiation of investment strategies is done by specialized structures, with personnel that have adequate competences, knowledge and experience and an adequate understanding of the assets 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 communiqués to investors;
- calibration of investment-divestment programs according to the cash needs for dividend distributions due to shareholders

**Investment opportunities** are selected depending on:

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

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

- a portfolio comprised mainly of shares.
- Orientation towards listed/ traded shares, mainly on the Romanian market.
- Defining the Financial-Banking and Energy – Industrial portfolio. The portfolio is subject to a constant adjustment process in agreement with macroeconomic tendencies and provides an important dividend flow, as well as cash source for investment programs
- sale of the share portfolio stemming from the privatization process from Sell portfolio and the guidance of the sums obtained towards performing sectors and assets.
- Development of Private Equity Portfolio, including through the implementation of private equity type projects.

**2. Eligible assets categories for EVERGENT Investments SA, diversified AIFM**

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

**2.1. EVERGENT INVESTMENTS S.A.'s investments made be exclusively in one or more of the several 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 market of a third state, that operates regularly and is known and open to the public, provided that the selection of the market be approved by F.S.A. in agreement with the eligibility requirements foreseen by art. 42 of FSA Regulation no. 7/2020.

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

**(i)** The issue documents 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 country that operated regularly and in known and open to the public, provided that the selection of the trading venue or stock market be approved by FSA or be foreseen in the fund rules or in the investment company's memorandum of association, approved by FSA

**(ii)** this approval should be ensured for at least one year from issuance;

**d) holding titles of UCITS or AIF** settled in member states or not, with the cumulative fulfilment of the following conditions:

**(i)** A.I.F.s are authorized or registered;

**(ii)** AIF's activities are object of regular reports that allow an evaluation of assets and liabilities, income and operations from the reporting period, in accordance with the redemption frequency offered to investors, depending on the case;

**(iii)** AIF's profile abides by the liquidity profile of AIF set by AIFM in accordance with art. 4 line (11) Law no. 243/2019

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

**e) deposits setup 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 or another member state. In case the headquarters are located in a third country, 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 from a third state, in the meaning of letter a) and b) and/or derivatives negotiated outside regulated markets, provided that the following conditions are met cumulatively:

- (i)** the underlying asset shall consist of the instruments referred to 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 A.S.F.;
- (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 than can be accurately determined at any time, with the exception of 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 in case of 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 letter a) and b); or
- (iii)** be issued or guaranteed by an entity subject of prudential supervision, according to criteria defined by European law, or an entity that is subject of prudential rules and complies to them; rules validated by FSA as equivalent to those foreseen by European law
- (iv)** be issued by other entities belonging to the categories approved by FSA provided that investment in such instruments be subject to a protection of investor equivalent to that foreseen under items (i), (ii) and (iii), and that the issuer be a company whose capital and reserve each at least the lei equivalent of 10.000.000 euro, which presents and publishes its annual financial statements, according to applicable European law, 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 by art. 3 line (1) item 26 of Government's Emergency Ordinance no. 32/2012 <sup>1</sup> that are not admitted to trading** in a trading venue or are not traded on a stock market of a third state;

(1) The company invests in corporate bonds not admitted to trading on a regulated market or alternative trading system, 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. In case the corporate bond issuer has less than 2 years of activity, EVERGENT Investments, invests only in corporate bond issues guaranteed by a credit institution authorised by the B.N.R. or by a Romanian branch of a credit institution authorised 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 accordance with the law and must not indicate any significant risks, such as creditworthiness, liquidity or solvency risks, to the financial position of the corporate bond issuer that would result in a default in the payment of coupons and principal on the corporate bond issue;

c) the issuer of corporate bonds must not be registered in 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 line (1) letter a) is submitted to FSA with the first weekly report on the statement of EVERGENT Investments' net asset, after the investment is made.

(3) In applying line (2), the statement of guarantees foreseen under line (1) letter a) that can be bank guarantee letters, the insurance of the bonds issue by an insurance company or other similar proving 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 accordance 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 honoured when due shall be carried out at the value of 0 (zero)

---

<sup>1</sup> art. 3 line (1) pct. 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 the case may be, it being prohibited to make additional investments in financial instruments issued by the same issuer.

(6) Where the amounts are not collected within 10 work days from the term foreseen in the issuance prospectus, the directors of EVERGENT Investments SA start and inform 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 default and of the respective issue of non-traded corporate bonds, based on a calculation 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.;

**k) state titles**;

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

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

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

## **2.2. Investments of EVERGENT Investments SA, diversified F.I.A.I.R., shall be made abiding by the following limitations:**

- a)** it cannot hold more than 10% of assets in securities and money market instruments issued by 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 state or international public bodies of which one or more member states are members. The 10% limit may be increased up to maximum 40%, provided that the total value of securities held by F.I.A.I.R. in each of the issuers in which it holds holdings of up to 40% does not exceed 80% of its assets 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) Law no.243/2019, and in the case of the Group that the AIFM managing that particular AIF, 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 cannot exceed the total value of its assets;
- e)** the value of current accounts and cash abide by a maximum of 20% of company assets; the limit can be exceeded up to a maximum of 50%, provided that such amounts come from the issue of equity securities provided that such amounts come from the issue of equity securities, 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 equity securities not admitted to trading on a trading venue or on a stock exchange in a third country, issued by a single F.I.A. for retail investors;
- h)** it may not hold more than 10% of the company's assets in equity securities not admitted to trading on a trading venue or on a stock exchange in a third country, issued by a single F.I.A. for professional investors;
- i)** it may not hold over 50% of the company's assets in equity securities not admitted to trading within a trading venue or on a stock market from a third country, issued by other open-type AIFs. In case of the Group that the AIFM managing that AIF is part of, the holding limit is over 40% of the company's assets;
- j)** it may not hold over 40% of the company's assets in equity securities issued by a single UCIT certified by FSA or a competent national authority from another member state, as well as in securities issued by a single collective placement body allowed for trading on a trading venue in Romania, another member state or a stock market from a third country;
- k)** it may not grant loans of financial instruments representing more than 20% of the company's assets, the period of granting the loan may not exceed 12 calendar months, in accordance with the regulations issued by the F.S.A. on margin transactions and lending operations; the limit of 20% of the company's assets can be increased up to 30%, with the approval of the A.S.F., under the conditions established by the regulations of the F.S.A.;
- 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 F.I.A.I.R. setup as investment company is part of, within the limit of 10% of its assets, and may not purchase directly, 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 institution, credit institutions or non-banking financial institutions authored by B.N.R. or other central banks from a member state or a third state; 24/01/2020 – derogation by Law no. 243/2019.

- m)** it may not hold more than 40% of its assets value in securities<sup>2</sup>, money market instruments not admitted to trading on a trending value or sock market from a third state, with the exception of state titles and bonds issued by the Ministry of Public Finance, as well as holdings acquired by that AIFM by law, in whose case the holding limit is not applied;
- n)** it may not hold more than 40% 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 this letter do not apply for AIFM for retail investors in real-estate investments;
- o)** it may not hold more than 10% of the value of its assets in greenhouse gas emission allowances, as defined in Article 3(b) of Government Decision No 780/2006, as subsequently amended and supplemented.

In case these limits are exceeded, with the exception of 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 work days, about the exceeding of the limits. The notification shall include the justification of the causes that have led to this situation and the plan of measures to return to the abidance 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 in Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps, except for hedging purposes, i.e. hedging, in accordance with Article 33(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 Programme (approved by the Ordinary General Meeting of Shareholders) and through the regular Activity Reports of the Board of Directors informing on the implementation of the Investment Policy

---

<sup>2</sup> Law 24/2017. Art.2 item 50. securities – financial instruments class that can be negotiated on the capital market, with the exception of payment instruments, such as:

- a) shares issued by companies and other securities equivalent to shares issued by companies, as well as certificates of deposit supported by shares;
- b) bonds and other securitized titles, including deposit certificate with such titles as support;
- c) any other securities conferring the right to buy or sell such securities or leading to a cash settlement, established in relation to securities, currencies, interest or profit rates, commodities or other indices or units of measurement;

The above-mentioned documents are posted on the EVERGENT Investments SA website, [www.evergent.ro](http://www.evergent.ro), in the Shareholders/GMS and Periodic 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 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. The exposure to energy and utilities issuers takes into account their ability to deliver consistent and predictable dividends.

EVERGENT INVESTMENTS has a strategy of mixed assignment of resources to the capital market, at the same time with the implementation of private equity type projects that offer added long-term return.

### 4. Investments in private equity type projects

Private equity investments aim at a focused approach in the real estate and agribusiness sectors in which opportunities with medium-long-term growth potential are identified. In addition, opportunistic investments can be made in other areas of particular interest.

**Indirect investments** in the real-estate sector, 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.

Investments in property assets, in shares not admitted to trading on a trading venue of real-estate companies, namely shares of real-estate companies whose financial statements are audited at least on an annual basis that evaluate their assets at least once a year, and loans offered to a PLC/LLC with real-estate profile, according to the law are defined as property investments.

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

The private equity type investment policy through which control is gained over unlisted companies is in agreement with the investment strategy without being the main investment policy, 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: notification of FSA, the company and shareholders about the gain of control and notification of FSA about the unlisted company's vote rights weight every time that weight reaches 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 company); and ii) internal and external communication policy of the company, especially that concerning the employees.
3. Communication to FSA and investors of information regarding the purchase financing
4. Includes in the information from the annual report of the Company or EVERGENT Investments at least one fair analysis of the company's activity evolution to present the status at the end of the period included in the annual report.
5. Applies a high degree of diligence in the selection and monitoring of investments. The selection of projects takes into consideration the abidance by a set of conditions:
  - Abidance by the annual investment objectives and abidance by the performance/risk criteria (insuring a minim project IRR approved by the Board of Directors)
  - Abidance by the prudential limits of the investment policy, as defined by specific regulations.

EVERGENT Investments implements a multiannual investment policy, with a return potential reaching maturity within up to 10 years.

## 5. Leverage effect

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

Leverage 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 represent the sum of the Company's positions (including all holdings) after the deduction of cash and cash equivalents balance, 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 necessary.

Dividends due and unpaid held in the EVERGENT Investments portfolio are not treated as loans of cash or securities or derivative financial instruments.

EVERGENT Investments policy on the use of leverage:

- a) The leverage used by EVERGENT Investments SA is insubstantial as provided for in Art. 110 (3) lit. c) of EU Regulation No 231/2013;



b) *The maximum level* of leverage EVERGENT Investments can employ is 2 times the total asset value (NAV), a level considered reasonable for a diversified FIAR, taking also into account the following legal aspects:

- FSA Regulation no. 7/2020, art. 35 line (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, in case of OPCVM that use both cash loans and financing operations through securities or derivatives, leverage can be *up to max. 2,1 times higher than NAV*”.

In comparison to 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;
  - Securities loans;
  - Derivatives, for investment purposes; this category does not include derivatives for risk coverage, that do not lead to the increase of EVERGENT INVESTMENTS’ exposure.
- d) The Company, through its risk management function regularly monitors the leverage level of AIF to verify the observance of the set limits.
- e) The company shall report on 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 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 FIAIR exposure calculated according to the provisions of (EU) Regulation no. 231/2013 (according to art. 38 line (4) Law no. 243/2019).
  - Half-yearly report, in accordance with Annex IV to EU Reg. no. 231/2013 – the main data 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 sets 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 sets 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 accordance with the objectives, investment strategy and risk profile.

In this framework, departments that ensure the portfolio management function with attributions and responsibilities regarding the running of the investment process. Higher management regularly receives reports on the implementation of investment strategies.

Investment decisions are analysed 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 /disinvestment programs* on financial markets whose objects are financial instruments defined by the law in force, in accordance with prudential rules regarding investment policy, the following steps are used:

1. Collection of information;
2. Analysis of financial instruments and preparation of the analysis material;
3. Approval of the analysis materials and investment/disinvestment programs, availability of financial resources;
4. Implementation of investment /disinvestment programs;
5. Follow-up of the results of the implementation of investment/disinvestment programs;
6. Reporting of 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/ annual financial statements, reports of directors, censors/auditors regarding them and the preparation of professional opinions and reports regarding the portfolio assigned, 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 vote method, taking into account the strategic section 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 to monitor issuers' evolution and the effects of the implementation of GMS resolutions;
4. Insuring 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 in EU Regulation 2019/2088, we publish information on our policies on the integration of sustainability risks in the decision-making processes for investments.

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

In the sense of art. 2 item 17 of the EU Regulation 2019/2088, 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, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment 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, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

In the current context, EVERGENT Investments' Investment Strategy shall consider the use of ESG ratings in the investing process, namely the analysis of companies not only from the point of view of the ability to offer higher returns, but also from the point of view of ESG standards implementation.

ESG standards represent a set of norms that investors take into consideration in the investment process, comprised of three elements: Environment – impact on the environment resulted from the company's activity; Social – relationship of the company with the stakeholders; Corporate Governance - observance of corporate governance norms.

EVERGENT Investments' strategy will consider investing in projects and economic activities with a significant positive impact on the climate and the environment, depending on their growth potential and to offer sustainable and possibly higher returns, compared to other investment opportunities in the market.

EVERGENT Investments encourages companies in which it is a significant shareholder to include sustainability in their business strategy, to integrate sustainability risks, to consider negative impacts on sustainability and sustainable investment objectives or the promotion of environmental or social features in their business decision-making process.

EVERGENT Investments encourages companies to follow good governance practices and ensure the precautionary principle of "do no significant harm" so that neither environmental nor social objectives are significantly harmed.

EVERGENT Investments is interested in allocating capital to projects in economic sectors that support the transition to a sustainable, low-carbon economy.

In order to make investment decisions to compare issuers on environmental, social and governance risks, EVERGENT Investments analyses the quality of information available from issuers, their non-financial reports, the evolution of ESG practices, transparency on how issuers address ESG issues and manage related risks, basic pillars to enable the development of a viable proprietary issuer analysis methodology to assess, measure and monitor the environmental or social characteristics or the effect of the sustainable investments selected for the financial product, including data sources, selection criteria for underlying assets and relevant sustainability indicators used to measure environmental or social characteristics or the overall sustainable effect.

Depending on clarification by specific regulations and based on indicators, ratings that it could access, EVERGENT could also consider investing in green financial products. Investing in such products would largely depend on the ability of the local market to offer such investment alternatives.

EVERGENT Investments does not exclude investing in sovereign green bonds, BVB-listed green bonds or ESG-weighted indices).

Green bonds are those whose funds are used exclusively to finance or refinance, in part or in full, projects based on a positive environmental impact, such as reducing CO<sub>2</sub> emissions, purchasing electric cars, etc. Also, business activities related to energy efficiency, renewable energy or waste management.

EVERGENT Investments is therefore mainly concerned with profit growth rates and the sustainability of these profits.

EVERGENT Investments assesses investments for sustainability according to an internally developed methodology that considers environmental, social and governance criteria.

The sustainability assessment of the issuer is carried out on the basis of publicly available data in the case of listed companies or data obtained from the management of unlisted issuers.

The information in the own ESG assessment supports the investment decision and complements the other elements of analysis, representing an advantage/disadvantage in selecting an investment.

Access to quality ESG data will increase substantially with the introduction of the requirement for issuers to provide standardised sustainability disclosures and publish ESG data and reports.

The Bucharest Stock Exchange has launched the first ESG scores for the Romanian capital market, with more issuers expected to join the project.

In the light of the fact that information on ESG sustainability factors may at this stage be difficult to obtain, incomplete, inaccurate or based only on estimates, EVERGENT Investments will continue to monitor the issues outlined in the above considerations and at the time it is in a position to invest in green financial products, will reassess the classification of AIFs as products referred to in Art. 8(1) and 9(1), (2) and (3) of Reg. EU No 2088/2019.

With reference to the provisions of Article 4(1)(b) of Regulation (EU) No 2088/2019 and Article 12 of Regulation (EU) No 1288/2022, 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 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 companies in the portfolio.
- Available information regarding this environment, social and governance aspects are difficult to obtain and may be limited, out-dated 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 for most portfolio companies.
- The estimated likely effect of sustainability risks for the portfolio managed by EVERGENT Investments is not high.

The investment decision cannot currently be based on complete and comprehensive information, so that, on this basis, we are able to complete the indicators applicable to investments in investee companies set out in Table 1 of Annex I to Regulation (EU) 1288/2022.

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, subject to their clarification, to consider and decide on taking into account the negative effects of investment decisions on sustainability factors, with appropriate information to investors on any further concrete actions taken in this regard. EVERGENT Investments believes in the importance of sustainable investing and incorporating ESG factors into investment decision-making. Active interaction with the companies in which it invests is also a 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.

Annex: Statement on diligence policies regarding the taking into consideration of the main negative effects of investment decisions on sustainability factors.

## *Internal Control Mechanisms*

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

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

- Compliance position - provides compliance endorsement for the justification of the investments, endorses the development of new strategies, investment practices, investments on new markets and new products;
- Risk management position:
  - Implements efficient risk management policies and procedures, for the identification, measurement and permanent monitoring of all relevant risks for EVERGENT Investments' policy that the company is or could be exposed to.
  - Monitors the risk limits set and makes sure that EVERGENT Investments' risk policy as notified to investors is abided by
  - Related to investment diligence: drafts risk analysis regarding the investing and disinvesting operations in or from financial instruments, according to the "Prior Verification when investment is made".
- Internal audit function – makes an independent and objective evaluation of the management processes for EVERGENT Investments' assets and of the corresponding risks, in order to offer assurance regarding the legitimacy, regularity, economic and efficient nature of the activities and operations run.

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

## **Strategies to exercise vote rights in companies in the portfolio**

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

- a) The monitoring of relevant actions on companies level;
- b) Insurance of vote rights exercise in accordance with the objectives and investment policies of AIF in question;
- c) Prevention and management of any conflicts of interests that stem from vote rights exercise.

### **a) Monitoring of relevant actions on the level of the companies**

In order to exercise its shareholder attributions in good condition, the following activities are carried out at the companies in the portfolio:

- Following the publication of GMS convening notices, investment analysis/portfolio managers responsible for that particular issuer analyses the convening notice and submits suggestions to the management of EVERGENT INVESTMENTS regarding: i) request to amend the agenda, suggestion for BD members, requests to amend

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 according to the strategy approved by EVERGENT INVESTMENTS' shareholders.

- Representation in the AGM of portfolio companies is carried out through a legal representative on the basis of a proxy or postal ballot.

## **b) Ensuring the exercise of vote rights in accordance 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 attributions in the companies in its portfolio*, the procedure including the general framework for the operations concerning:

- 1) drafting of representation mandates entered between EVERGENT Investments as Representative and Represented or in the General Meeting of Shareholders;
- 2) main analysis elements of the convening notice for the general meetings – form aspects regarding lawfulness aspects, as well as fund aspects regarding the issues on the agenda from the point of view of the interest it presents to the company and shareholders;
- 3) preparing for GMS participation: analysis of the documentation and information provided to the shareholders and justification of the vote option
- 4) granting the representation mandate/ special/mandate / power of attorney, vote through correspondence form
- 5) participation to GMS – is made through any of the participation and representation forms and exercise of vote rights foreseen by the law in force.

EVERGENT Investments evaluates its vote right only following a conscious decision.

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 analysis made by the specialized departments, our vote may be “abstain”, “against” or non-participation if the adoption of these positions are in EVERGENT Investments' favour.

- In accordance with the best practices, EVERGENT Investments usually supports the suggestions of the companies' managers regarding: the change of the name; change of headquarters; listing; setting of the venue and date for the annual general meeting; accepting/ approving the financial statements; approval of dividend payment; authorization of the transfer of reserves and income assignment; amendments to the individuals with signing authorization; approval of the bookkeeping methods; approval of work agreements; appointment of internal auditors.
- Regarding aspects related to the Board of Directors,, EVERGENT Investments usually takes into consideration the support of management. Nevertheless the vote against the management will be considered in case corporate performance has been weak.
- EVERGENT Investments will consider voting „**for**” cumulative vote – for the protection of minority shareholders; increase of share capital through reserve contribution; share buy-

back programs in case all shareholders can participate under equal conditions; lowering of share capital following the annulment of bought-back shares.

- In case of voting for the following aspects, EVERGENT Investments shall make **case to case analysis**: capital operations for which there are the premises for affecting the interests of EVER, contracting loans and pledging / mortgaging the company's assets; 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 cancellation 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 shareholder EVERGENT Investments is not necessary due to a conjectural situation or the general policy interests of EVERGENT Investments in relation with companies classified on different categories, the proposal is to not attend the GMS and the information regarding the resolutions adopted and the conducting of GMS meeting will be obtained at a later date.

Examples that might justify the suggestion of not participating:

- 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 will of shareholders;
- legal strategies to protect EVERGENT Investments' interests.

### **c) Prevention or management of any conflicts of interest stemming from the exercise of vote rights**

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

#### *1. Adopting investment decision in private-equity type projects suggested by subsidiaries or by Private-equity Portfolio*

In order to avoid the possibility of a conflict of interest in the EVER- subsidiary relationship regarding the adoption of investment decisions, and in order to make sure that all investment decisions of EVERGENT Investments 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 of 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 portfolio responsible 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 subsidiaries of EVERGENT INVESTMENTS, 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 type projects directly documented by Private – Equity Portfolio

## *2. EVERGENT Investments' proposal to appoint directors*

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

According to statutory provisions EVERGENT Investments' directors can be directors of companies in EVERGENT Investments' portfolio: art. 7 line (9) *"In exercising their mandate, the members of the board of directors have the possibility to be elected in the management of companies in the portfolio, applying the internal procedure for avoidance of conflicts of interests"*.

This Strategy was revised in May 2024 and can be accessed on the EVERGENT Investments website, i.e. [www.evergent.ro](http://www.evergent.ro) under the section "Corporate Governance".

**Claudiu DOROȘ**  
**President and CEO**

Gabriel Lupașcu  
Compliance Officer