Policy on integrating sustainability risks into the investment decision-making process – Annex 1 to the Risk Management Policy

Drive for performance

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In accordance with **art. 3 of Regulation (EU) 2019/2088** of the European Parliament and Council on 27th November 2019 on sustainability information in the field of financial services, participants to financial market:

(1) Publish on their websites information on policies for integrating sustainability risks into their investment decision-making processes

1. SUSTAINABILITY RISKS IN SHORT

Sustainability factors – mean environmental, social and labour issues, respect for human rights, anti-corruption and anti-bribery issues.

Risks related to sustainability mean environmental, social or governance events or conditions which, if they occur, could cause a material adverse effect, actual or potential, on the value of investments.

Sustainability factors – mean environmental, social and labour issues, respect for human rights, anti-corruption and anti-bribery issues.

Sustainability risks can manifest themselves as a risk in their own right or they can have an impact and can have a significant impact on all other existing risk categories, being a contributing factor to their materialization.

Two types of sustainability risks can be distinguished (principle of double materiality):

- firstly, the risks that could be caused by sustainability factors that may have a negative impact on the assets or the issuer under analysis (financial materiality, "from the outside in").
- secondly, other risks that may be caused by that issuer and that may influence, for example, sustainability factors (societal or ecological materiality, "from the inside out").

Sustainable investments – means an **investment in an economic activity that**:

- **significantly contributes to an environmental objective**, measured, for example through key indicators in the field of efficient use of energy, renewable energy, raw materials, water and land, in the field of waste production and green-house gas emissions, as well as their effect on biodiversity and circular economy, or
- **contributes to a social objective**, in particular an investment which contributes to combating inequality or which promotes social cohesion, social inclusion and labour relations or investment in human capital or in economically or socially disadvantaged communities,

provided that these investments:

– do not significantly prejudice any of the other objectives and that

– invested companies follow good governance practices, in particular with regard to sound management structures, labour relations, remuneration of relevant staff and tax compliance.

2. INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS

believes in the importance of sustainable investing and incorporating ESG factors into investment decision-making. We believe that financially significant ESG factors can have a positive or negative impact on investment performance, an important consideration in order to effectively manage risk and achieve the investment objectives set by our shareholders.

Portfolio management compartments are therefore responsible for incorporating financially significant ESG factors into the risk management investment process. Active interaction with the companies we invest in is another key element of investment risk management. As ESG integration efforts in our industry continue to evolve, EVERGENT Investments' approach will continue to develop. We seek to work closely with all of our stakeholders to provide transparency to our approach and adapt it to their needs.

1. Specific strategies to integrate sustainability risks in the investment decision-making process are based on the following aspects:

Taking environmental, social and governance aspects into account in decision-making			Improving the ESG performance of portfolio issuers	
Is implemented using a combination of three approaches: integration, screening and themed investments.			It is achieved by encouraging companies in which the Fund is already an investor to improve their ESG risk management or develop more sustainable business practices	
Integration	**Screening**	**Themed investments**	**Involvement**	**Vote exercise**
Explicitly and systematically include ESG aspects in investment analysis and decisions to better manage risks and improve returns (investment due diligence).	Applying filters to potential investment lists to exclude those companies that do not align with the Fund's values and ethical principles.	Pursuing investment opportunities in companies generating high returns in sectors that support sustainable development.	Monitoring the ESG characteristics of issuers and interacting with the Fund's portfolio companies on issues aimed at improving and making transparent both the business strategy and the environmental, social and governance aspects (individually or in collaboration with other investors).	Voting - formally voting in favour of proposals for ESG factors that promote responsible corporate activity and enhance the long-term value of the company, as well as proposals for transparency of ESG policies

1.1. Taking environmental, social and governance aspects into account in decision-making

Integration - When assessing the risks associated with any investment opportunity, we conduct in-depth analysis and focus on several factors. Our investment methodology is based on a disciplined internal process of issuer and instrument analysis and selection that leverages the expertise and experience of our investment teams.

ESG considerations will become an important part of our due diligence as we seek to identify sustainability risks that may affect an issuer's reputation and financial position, and hence their valuation. Thus, we believe that issuers' adherence to sound ESG practices can minimize financial risks, such as loss of customers triggered by controversy, fines, penalties and environmental clean-up costs, etc..

For the integration of ESG analysis into the different asset classes we will monitor data from third party providers as well as those provided by issuers - a preliminary step in our process. Where such data is not publicly available, we may use proprietary questionnaires to the issuer's management on the sustainability risks to which it is or may be exposed.

Relevant ESG risks and third party ESG risk assessments, as may be applicable and available, will be discussed in the investment case notes. Particular attention will be paid to situations where the issuer's risks are significantly higher than average in its industry, as these may result in a lower risk-adjusted return.

All these approaches will be used for our own analysis of the sustainability risks of issuers and their impact on our investment portfolio.

Screening – we have formalized a list of exclusions covering sectors where investments are not allowed, regardless of the company's financial performance. The exclusion list is based on the recommendations of the IFC and EBRD standards in this area and will be updated regularly.

Themed investments – we intend to carefully monitor sectors with a high impact on the sustainable development of the national and global economy, from which we will select for investment those that can provide us with an adequate risk/return ratio.

1.2. Improving ESG performance of companies in the portfolio

Involvement - once an investment is made, portfolio management departments monitor all material elements that could affect the investment or the company, including sustainability factors.

Believing that active engagement with company management is key to managing investment risk, EVERGENT Investments values and actively supports the strong integration of sustainability principles, including active ownership strategies in our investment approaches.

Portfolio management departments interact with issuer representatives during the initial due diligence process and as part of the portfolio monitoring process. On-going dialogue will help raise awareness of sustainable business practices.

Vote exercise - portfolio management compartments use a variety of tools, which derive from shareholder rights, to ensure that material sustainability issues are taken into account and that EVERGENT Investments will formally express its approval or disapproval by voting on resolutions and proposed shareholder resolutions on specific ESG issues

2. The ESG factors that we might consider as part of our quality assessment in the investment process include:

ENVIRONMENT - environmental issues will be identified and assessed to determine the impact of issuers on the environment (including air, water, land protection, climate change, biodiversity, waste management and resource efficiency) and the risk that such issues pose to issuers' business operations. We will also assess an issuer's potential risks resulting from its environmental impacts, including payments related to penalties imposed by authorities, risk of litigation or future remediation expense requirements.

For the purposes of determining the environmental sustainability of an investment, an economic activity qualifies as sustainable according to the principles of the Taxonomy if that economic activity:

(a) substantially contributes to one or more of the following environmental objectives:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

(b) does not significantly prejudice any of the environmental objectives set out in paragraph. (a)

(c) implements procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and those set out in the International Bill of Human Rights;

(d) and and comply with the technical examination criteria which have been established by the European Commission in accordance with Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Reg. EU 2020/852.

SOCIAL – the way a company manages its relationships with employees, suppliers, customers and the communities in which it operates is important to our investment analysis. We will assess issues related to labour, employee health and safety, compliance with labour regulations and general employment relations and conditions. We will also review risks associated with product safety and suitability to ensure that issuers have sustainable business operations. For the purposes of determining the sustainability of an investment in terms of social and labour issues, an economic activity qualifies as sustainable under the principles of the Taxonomy if that economic activity:

(a) abides by recognized labour law standards

(b) abides by the health and safety of employees

(c) sets adequate remunerations, fair work conditions, diversity and training and development opportunities

(d) abides by the syndicate rights and freedom of meeting (freedom of association)

(e) guarantees the adequate safety of products, including health protection

(f) applies the same requirements for entities in its supply chain

(g) establishes projections for combating inequality or for social coherence/social integration for the benefit of financially or socially disadvantaged groups of the population

GOVERNANCE - We will review diversity, independence, risk oversight, respect for shareholder rights and the qualifications of directors and management teams to assess the extent to which companies are prepared to address future risks and act in the best interests of the business, shareholders and other key stakeholders. We will focus on identifying management teams that clearly and consistently communicate information on ESG factors important to their business.

For the purposes of determining the sustainability of an investment from a governance perspective, an economic activity qualifies as sustainable according to the principles of the Taxonomy if that economic activity:

(a) practices tax honesty

(b) has implemented measures against corruption

(c) the Board of Directors manages sustainability

(d) integrates sustainability criteria in the remuneration of relevant staff

(e) facilitates warnings about illegal activities taking place in society

(f) provides guarantees regarding employees' rights

(g) provides guarantees for data protection

(h) ensures the transparency of activity through the proper disclosure of information

3. RESOURCES AND TRENING OF STAFF

This is a rapidly growing area, and as such, investment management departments will seek to adapt their capabilities and practices as the investment community expands its knowledge and understanding of ESG issues.

We aim to keep our investment management departments continuously informed of current and emerging trends in ESG investing and sustainability practices. All our employees receive mandatory training covering a variety of topics including compliance, ethics, diversity and corporate responsibility. We also offer additional voluntary training to our employees covering a wide range of ESG topics.

4. POLICY APPLICATION FIELD

The application field of this policy involves all activities managed by EVERGENT Investments, including its affiliate companies.

5. CONFLICTS OF INTEREST

EVERGENT Investments is committed to conducting its investment business in accordance with the highest legal and ethical standards, to promote the interests of our shareholders and in a manner that is consistent with all applicable laws, rules and regulations. Identifying and managing conflicts of interest are fundamental considerations in all of the Fund's investment activities.

6. INTERACTION WITH OTHER POLICIES AND PROCEDURES

This Policy interlinks with the following Policies and Procedures of EVERGENT Investments:

- Investment strategy and policy
- Involvement policy and principles for exercising rights in portfolio companies
- Investment diligence procedure
- Due Diligence Procedure in Securities Monitoring
- Procedure for prior verification when investing

This Policy is developed taking into account the Investment Strategy and Policy summarised by the Company, taking into account the nature, volume and complexity of the business.

This Policy on Integrating Sustainability Risks into Investment Decision Making is annexed to the EVERGENT Investments Risk Management Policy.

Claudiu Doroş

President and CEO

Sonia Fechet

Risk Manager

Elena Rebei

Senior Risk Manager

Michaela Puscas

Compliance Manager