



SOCIETATEA DE INVESTITII FINANCIARE  
TRANSILVANIA S.A.



# SUSTAINABILITY REPORT

2020

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## I. About S.I.F. Transilvania

**Societatea de Investiții Financiare Transilvania S.A.** (S.I.F. Transilvania/“the Company”) is a Romanian entity incorporated as joint-stock company. The shares issued by the company are traded on Bucharest Stock Exchange (**SIF3 symbol**), in Premium category, Main segment and they are held by individual and institutional shareholders, Romanian as well as foreign.

The Company is part of the category of entities authorized, regulated and supervised by the Financial Supervisory Authority (FSA).

S.I.F. Transilvania is authorized as an Alternative Investment Fund Manager (AIFM), as well as Retail Investor Alternative Investment Fund (RIAIF), of closed-end type, diversified, incorporated as investment company, self-managed.

The Company is managed in a two-tier management system by an Executive Board which carries out its activity under the control of a Supervisory Board.

According to the Articles of Incorporation, main activities performed by the Company consist of portfolio management and risk management.

The Company manages a complex portfolio including any of the following main categories of financial instruments: shares, fixed income instruments, fund units/ETFs, alternative investment instruments (including derivative financial instruments). Also, the company can invest in fixed income financial instruments, namely treasury certificates, government securities and corporate bonds, as well as bank deposits. Currently, S.I.F. Transilvania portfolio has a predominant exposure on the Romanian capital market, mainly on listed shares of companies in the financial-banking, tourism, real estate and energy sectors.

Main investment objectives of the Company are:

- Maximizing the aggregate returns achieved by the current and potential shareholders on the investments in SIF3 shares;
- Increasing the unitary asset value through the entire range of instruments provided by the capital market laws, maintaining the focus of a significant proportion of the annual investment programs implemented in financial instruments traded on the Bucharest Stock Exchange.

## II. Corporate Governance

S.I.F. Transilvania implemented a corporate governance system observing the provisions of BSE Corporate Governance Code applicable to all companies whose shares are admitted for trading on regulated market. At the same time, the Company promotes corporate governance development applying the best practices and performing prudent management, according to the provisions of FSA Regulation no. 2/2016 *on the application of corporate governance principles by entities authorized, regulated and supervised by FSA*.

S.I.F. Transilvania Executive Board, with the approval of the Supervisory Board, adopted the Corporate Governance Regulations of the Company which defines the policies, practices and management structures helping in exercising its main responsibility – to provide an efficient management of the Company, for the

benefit of its shareholders. The Regulations are available on the Company's site [www.siftransilvania.ro](http://www.siftransilvania.ro), under About us/Corporate Governance section.

The Company publishes periodically, in the annual reports, the "Apply and Explain" Statement and the "Statement on applying corporate governance principles", showing the degree of company's compliance with the BSE C.G.C. principles and recommendations, respectively the provisions of FSA Regulation no. 2/2016.

### **III. Conflicts of Interests, Personal Trading and Trading with Related Parties**

According to the applicable legal regulations, S.I.F. Transilvania elaborated the Policy regarding the conflicts of interests setting main coordinates of:

- (i) activities performed by S.I.F. Transilvania or on its behalf, including activities performed by a delegate, a sub-delegate, an external evaluator or a counterparty, identifying the circumstances that constitute or may lead to conflicts of interests with significant risk of prejudicing its investors;
- (ii) procedures that must be followed or adopted to prevent, manage and monitor such conflicts.

In current activities, S.I.F. Transilvania may deal with specific conflicts of interests resulting from its current operations, as well as indirect conflicts of interest arising from performing operations and services in collaboration with other financial entities.

Specific instruments and mechanisms aim at proactively identifying possible situations with significant risk of prejudicing S.I.F. Transilvania shareholders, in order to adopt the best preventive measures. Applying such internal instruments and mechanism, S.I.F. Transilvania aims at obtaining a proper prevention and management of conflicts of interests, so that their impact is cancelled or minimized.

S.I.F. Transilvania takes all reasonable measures to prevent conflicts of interests, and in case they cannot be avoided, the Company takes measures to identify, manage, monitor and, as applicable, make public such conflicts of interests for the purpose of preventing them from adversely affecting the interests of S.I.F. Transilvania and its investors.

Staff performing supervisory/control activities in S.I.F. Transilvania act for preventing conflicts of interests by pursuing compliance with the legal regulations and internal procedures and counseling relevant staff.

In case of occurrence of a conflict of interests, the above staff must track the method of managing the situation that generated conflict of interests. On the level of the Compliance Office, the Conflicts of Interests Registry is managed, specifying the identified/declared situations of conflicts of interests and the method of managing them.

Given that the Company performs current trading activities on capital market, in order to avoid conflicts of interests, the Company's policy in the field of conflicts of interests provides that any personal trading with listed financial instruments, including S.I.F. Transilvania shares, must be previously notified by the relevant persons, in order to verify the compliance with the legal regulations in the matter of conflicts of interests, abusive market practices and others.

At the same time, trading SIF3 shares by relevant persons is forbidden in closed periods, respectively before publishing the annual (interim and final), quarterly and half-year financial results and the reports

on the net asset value, periods set in the closed periods calendar, elaborated by the Company and communicated to relevant persons at the beginning of each year.

According to the legal provisions on market abuse, the members of the Supervisory Board and Executive Board, as well as persons closely related to them, must notify the Company and FSA about all performed SIF3 shares trading, within 3 days from trade date. The obligation applies to all subsequent trading after reaching EUR 5,000 during one calendar year. The Company informs investors about the received notifications by publishing them on its own website as well as BSE website.

According to the applicable legal provisions, the Company, through the compliance officer, must prepare the List of persons with access to inside information (Insider List), to permanently update it and to make it available to FSA, upon their request.

The transactions made by the Company with related parties are transparent and notified to investors by specifying them in the Company's annual activity report. In case of concluding significant transactions with related parties (their value exceeding 5% of the Company's net assets), the Company prepares and publishes a report, after their approval and at the time of their conclusion the latest, according to the laws in force. The Company's transactions with related parties are periodically assessed, at least annually, by the Audit Committee of the Supervisory Board.

In 2020, the Company did not conclude transactions with members of the Executive Board or Supervisory Board, the amounts paid to them by the Company representing monthly remunerations, according to the provisions of the mandate and management contracts and the Company's remuneration policy.

The Company had in its portfolio on 31<sup>st</sup> of December 2020 holdings giving it a position of control in 25 companies (subsidiaries) and holdings giving it a significant influence – in 23 companies (associated entities). The Company did not perform significant transactions with these companies, all concluded transactions consisting of provisions of services, such as space leasing, hotel services etc.

The members of the Supervisory Board must immediately notify the Supervisory Board, and the members of the Executive Board and the Company employees must notify the Executive Board and the Compliance Office about any conflicts of interests they are in and/or on any potential conflict of interests that might result from an operation.

Members of the Supervisory Board and members of the Executive Board annually report to the Audit Committee their main functions and professional activities, including their duties in nonprofit organizations, as well as any relevant entities in which the members of the Supervisory Board or Executive Board, themselves or the ones they represent, are significant shareholders. The Audit Committee makes sure there were no conflicts of interests, and in case of identifying such situations, that they have been properly managed.

In case of occurrence of a conflict of interests involving a member of the Supervisory Board or Executive Board, they shall not attend discussions, deliberations or the decision-making process regarding the transaction, except for the case when their presence is required for the majority necessary to adopt a decision (but not having the right to vote on adopting a decision concerning the circumstance that led to that conflict of interests).

#### IV. Risk Management System

S.I.F. Transilvania implemented on company level a risk management system that includes policies, procedures and measures to identify, measure and manage risks. The policies and procedures on risk management are integral part of the “Policies and Procedures on S.I.F. Transilvania Operation as an AIFM”. According to the internal policies and procedures, the internal risk management system integrates competence and responsibilities on the level of the entire organizational structure (Supervisory Board, Executive Board, Risk Management Office, Compliance Office, Internal Auditor, operational departments). Procedures for managing and monitoring all relevant risk categories (market risk, credit risk, investment concentration risk, liquidity risk, operational risk) on company level are set.

In order to correctly and fully apply the legal provisions regarding the management of the risks that S.I.F. Transilvania may face during its current activities, the Executive Board and the Supervisory Board have as responsibility the approval of the company policy on risk management, as well as financial and operational risks management procedures, including their subsequent amendments, being responsible at the same time for applying the necessary measures to provide a constant efficiency of the company’s processes, activities and operations.

The risk management policy adopted on S.I.F. Transilvania level sets the main coordinates of the control and management activity of the issues that may have or even end up having an impact on S.I.F. Transilvania activity and present the approach of the Executive Board and Supervisory Board of the company in terms of applying an effective risk management process, including their identification, monitoring and control.

The risk management policy pursues the implementation by the Executive Board and Supervisory Board of proper measures in relation to the nature, size and complexity of the activities performed by S.I.F. Transilvania to minimize possible risks/vulnerabilities.

In terms of evaluating operational risks generated by IT systems, the matters provided by FSA Rule no. 4/2018 on managing operational risks generated by computer systems used by the entities authorized/approved/registered, regulated and/or supervised by the Financial Supervisory Authority are also considered.

#### V. Shareholders’ Rights

The Company makes every effort for shareholders’ rights, as they are conferred by the applicable laws, to be observed and provides equal nondiscriminatory treatment to all its shareholders.

In terms of the right to be informed, the Company makes sure that shareholders and investors have access to information concerning the Company’s activities and performances, with certain, correct and sufficient contents. The Company sends to BSE and FSA and publishes on its own website current reports, periodical reports and other types of reports the Company must publish according to the applicable legal regulations and the recommendations of BSE Corporate Governance Code.

S.I.F. Transilvania makes public any inside information directly referring to its activities as soon as possible, but without exceeding 24 hours from the occurrence of the event or from the date when the Company becomes aware. In this respect, S.I.F. Transilvania makes sure that privileged information is published in

a way allowing fast access and full, correct and prompt evaluation of the information by the public. Inside information is published as current reports sent to BSE and FSA and published on the Company's website.

In terms of the shareholders' rights referring to general meetings of shareholders, the Company makes available to shareholders on its own website, in sections dedicated to such corporate events, in Romanian as well as in English, all documents required for informing shareholders and exercising rights to vote in the General Meetings of Shareholders, namely: convener of general meetings, draft resolutions of general meetings, materials related to agenda, voting procedures, special power of attorney forms, ballot paper forms, procedure on electing Supervisory Board members, situation of voting rights, decisions of the General Meeting of Shareholders, including the detailed result of the vote.

Also, the Company responds to requests for convening general meetings of shareholders and/or completing the agenda submitted by shareholders representing, individually or jointly, at least 5% of the share capital.

In case the shareholders claim breaches of their rights, the Company undertakes to make all efforts to settle claims quickly and efficiently, and shareholder are treated in a professional, correct and nondiscriminatory manner. In this respect, the Company makes available to shareholders, on its own website, the procedure on the method of submitting and settling claims, as well as a form for their online submission. On Company level, a unique Claims Registry is created, registering claims received by the company and the method of their settlement. According to the legal provisions, the Company quarterly sends to FSA an electronic copy of the Unique Claims Registry.

The Company is in permanent contact with the shareholders and investors through a specialized structure – Corporate Governance Office, which answers their questions and requests, by mail, electronic mail, phone or at the company offices. In addition, stakeholders receive by email, on a subscription basis, a monthly newsletter containing news on Company activities.

## **VI. Information Security**

S.I.F. Transilvania implemented and certified, starting with 2012, the Information Security Management System, and in 2015 as well as 2018 the recertification was made by a new standard, ISO/IEC 27001:2013 (SR ISO/CEI 27001:2013), subsequently amended and supplemented.

The Company has an information security policy defined for the purpose of establishing the requirements for the general framework of information security and IT & C system in S.I.F. Transilvania.

S.I.F. Transilvania has an Integrated Information System providing support for the optimal operation of all processes in the organization, providing the security, integrity, confidentiality of information, as well as business continuity, according to the legal provisions in force and specific operating procedures.

The policies defined in the information security field consider at least: (i) human resources security, (ii) physical and environmental security, (iii) operations and communications management.

The procedures implemented on company level on information security consider at least: (i) information classification, operational flow of documents, (ii) equipment security, (iii) information security incidents management, access control, (iv) data recovery after disaster and business continuity, (v) keeping financial instruments trading records.

## VII. Personal Data Protection

Personal data processing takes place observing the legal requirements, namely Regulation (EU) 2016/679 *on the protection of individuals in terms of personal data processing and the free circulation of such data and for the abrogation of Directive 95/46/EC* (General Data Protection Regulation – GDPR) and the national laws in the matter, including Law no. 190/2018 *on measures for applying Regulation (EU) 2016/679*. The processing takes place under conditions that ensure the security, confidentiality and observance of the subjects' rights.

S.I.F. Transilvania processes personal data in order to fulfill its legal and contractual obligations and only as exception in case the consent of the subject is required, cases when the company acts according to the legal provisions.

S.I.F. Transilvania does not process special categories of personal data, as they are defined in Regulation EU no. 679/2016. There is no automated individual decision process in the company, including profile creation, in relation to subjects.

The personal data processing procedures applicable on Company level according to GDPR requirements target: (i) processing personal data in relation to shareholders, (ii) processing personal data in human resources activities, (iii) processing personal data from personal transactions, of the persons with access to privileged information and in the list of persons with management responsibilities and those closely related to them, (iv) processing personal data related to transactions concluded by the company, inclusively from observing regulations in the matter or money laundering, terrorism funding and applying international sanctions, (v) processing personal data in sponsorship activities.

The Company appointed a Data Protection Officer and published their contact information on the company's website and communicated them to the National Authority for the Supervision of Personal Data Processing. Data subjects can contact the Data Protection Officer for all matters related to the processing of their data and exercising their rights. The company also published on its own website the Policy for processing personal data and a shareholder notification on personal data processing.

In 2020, no breaches of data subjects' rights by the Company have been notified or claimed.

## VIII. Human Rights, Diversity, Antidiscrimination, Gender Equality

Upon employment and on establishing individual rights, the Company guarantees equal opportunities and treatment for all candidates to a job in the Company and for all its employees, without direct or indirect discrimination based on race, nationality, ethnicity, language, religion, social category, beliefs, gender, sexual orientation or any other criterion with the purpose or effect of restricting or removing recognition, use or exercising of rights arising from this collective employment contract on Company level.

The Company, in its capacity of employer, recognizes each of its employee's freedom of opinion.



## IX. Human Resources

At the end of 2020, the Company had 36 employees, of which 31 employees with higher education levels and 5 employees with secondary education level.

Employees perform their activity based on collective employment contract, individual employment contracts, internal regulation, job descriptions and internal procedures.

The Company confers great importance to the professional training of the employees, with the two components – continuous professional training and professional development, as part of the general strategy for Company development. This activity is conducted based on professional training and development plans, implying the participation of employees to conferences, seminars, courses, as well as supporting them in their personal efforts for professional training.

Among employees with higher education, one employee has a PhD in Law, and an important part studied or is studying postgraduate and master studies in fields such as: financial-banking management, accounting, internal audit, financial analysis, evaluation, business administration, finance-banks-capital markets, business law, human resources management, cybernetic security. A part of the employees with higher education attended during 2020 continuous professional training programs, for the purpose of developing professional skills and increasing job performance.

Thusly, in 2020 company employees attended long term professional training programs such as: Chartered Financial Analyst training and certification program, Cyber Security master program, Financial Modeling & Valuation Analyst certification, as well as professional training programs in the fields of compliance, money laundering prevention, fraud fighting, risk management, evaluation, capital market, legal field, IT and human resources. At the same time, the members of the Executive Board and the staff in key positions attended continuous professional training programs provided by the legal regulations, as well as a series of seminars and conferences in the field of capital market.

The Company does not have a union incorporated, the employees are represented in the negotiation of the collective employment contract by a representative elected by the employees, according to the law.

S.I.F. Transilvania promotes and supports the existence of diversity in the management structures in terms of education and practical and professional experience, gender, age, geographic origin and provides equal chances and fair treatment in terms of the access to a position in the management structure.

The management structure of S.I.F. Transilvania (Supervisory Board and Executive Board) is diversified in terms of age, education and professional experience. On nominating candidates for the positions of members in the Supervisory Board and Executive Board, their meeting of the competence and professional experience, integrity, good reputation and governance criteria is evaluated, provided by the legal regulations in force on the date of nomination, the Company not requiring the meeting of criteria referring to age or gender.

According to the provisions of FSA Regulation no. 2/2016 *on applying the corporate governance principles by entities authorized, regulated and supervised by the Financial Supervisory Authority*, the company has an internal procedure on warning and notifying suspicions of employed staff on the way of managing the company business, based on which the employees may notify the Audit Committee within the Supervisory Board about real and significant suspicions on the way the company business is managed.

### *Work Conditions, Health and Security in the Workplace*

S.I.F. Transilvania takes all necessary measures to provide the security and health protection of employees, prevention of professional risks, informing and training employees and providing the organizational environment and necessary means for occupational health and security.

The Company must provide all conditions provided by law for the purpose of actively supervising employees health in relation to workplace requirements and related risk factors. The company employees are insured for workplace accidents and professional disease risks, according to the law.

In order to supervise and improve working conditions, S.I.F. Transilvania has an Occupational Health and Security Committee, with the attributions provided by law, occupational security and health directions on company level and own operating regulations.

In order to ensure the supervising of employees' health condition, the company organizes occupational medicine services, in collaboration with an authorized occupational medicine medical office. At the same time, the company provides employees with private medical services insurance, based on a contract concluded with a medical services provider.

In the context of COVID-19 pandemic, in order to protect employees, the company made available to them disinfecting materials and protective medical devices, periodically performed full disinfections at the company office and tested the employees free of charge for detection of IgG COVID-19 antibodies. At the same time, employees were allowed to perform work at home, in telecommuting system.

### **X. Remuneration Policy**

S.I.F. Transilvania observes, in a proper manner and extent related to its size, its internal organization, as well as the nature, size and complexity of its activities, the remuneration principles according to the requirements of Law no. 74/2015 on alternative investment funds managers, the requirements of ESMA Guidelines 232/2013 and compliant with the provisions of Law no. 24/2017 on financial instruments and market operations issuers, subsequently amended and supplemented.

The remuneration policy applies to staff on all organizational structure levels of the company. This policy describes the formal approach used by S.I.F. Transilvania to establish the remuneration of staff categories whose professional activities significantly impact its risk profile (identified staff).

The remuneration policy is the general framework the Company applies and concerns the remuneration method of the identified staff, corresponding to the business strategy, objectives, values and long-term interests of the Company and its shareholders.

The purpose of this policy is to provide a transparent overview of the remuneration principles and methods used by S.I.F. Transilvania, the company promoting a management system through objectives. The company places the remuneration and motivation of identified staff to achieve objectives in the center of its long-term strategy, given that it operates on a very competitive market.

The remuneration policy is clear, flexible and consistent, creating the premise for sustainable economic growth and consolidating at the same time the culture, vision, mission and values of S.I.F. Transilvania, being periodically reviewed for relevance and reliability.

The policy explains the decision-making process leading to establishing, reviewing and applying it, including measures to avoid conflicts of interests, the role of the Remuneration Committee or other involved committees.

The remuneration policy shows how the remunerations and employment conditions for Company employees were taken into account, on the occasion of establishing the remuneration policy.

The Company's Remuneration Policy is available on its own website, under About SIF Transilvania/Corporate Governance Section.

The Company publishes in the annual reports and financial statements information on the remuneration granted to members of the Executive Board and Supervisory Board.

## **XI. Preventing Money Laundering, Fighting Corruption and Bribe**

S.I.F. Transilvania policy in the matters of preventing and fighting money laundering and terrorism funding aims to meet all legal requirements and take all reasonable measures to prevent engaging the company in money laundering or terrorism funding operations. It also concerns internal procedures and mechanisms for the application of international sanctions.

S.I.F. Transilvania makes its own risk assessment through which it identifies, assesses and manages money laundering/terrorism funding risk on the level of customers, services and provided products, as well as the level of the entire conducted business, so that it properly understands and manages this risk to which the company may be exposed.

The internal procedure regulates how the provisions of the following enactments are applied on S.I.F. Transilvania level: Law no. 129/2019 on preventing and fighting money laundering and terrorism funding, as well as for amending and supplementing certain enactments, subsequently amended and supplemented; FSA Regulation no. 13/2019 on instituting measures for preventing and fighting money laundering and terrorism funding through the financial sectors supervised by the Financial Supervisory Authority, subsequently amended and supplemented; Emergency Government Ordinance no. 202/2009 on the application of international sanctions, subsequently amended and supplemented; FSA Regulation no. 25/2020 on supervising the application of international sanctions by the Financial Supervisory Authority and the entities regulated by it.

The procedure is prepared based on the assessment of money laundering/terrorism funding risks in S.I.F. Transilvania business, as well as the risks derived from the application of international sanctions, corresponding to the nature and volume of the business conducted by the company and considering the regulations, prudential requirements and sectorial directions.

S.I.F. Transilvania is fully committed to conducting its business with integrity and transparency, in which sense the members of the management and supervisory structures and company employees are forbidden to pay or offer bribe or financial incentives of any kind, inclusively to civil servants, employees of state-owned or state-controlled companies, as well as in any transactions made by the company. At the same time, requesting or accepting bribe or financial incentives is strictly forbidden.

## **XII. Business Impact on the Environment**

The Company's exclusive activity objective is activities specific to closed-end type investment companies, main activity field of the company being NACE code 649 – other financial service activities, except insurance and pension funding. Therefore, the company's business has no significant impact on the environment. However, S.I.F. Transilvania is permanently concerned with environment protection matters.

Selective collection has already been successfully implemented. Sorted, hazardous and nonhazardous wastes, including WEEE, are delivered for capitalization to specialized companies.

Utilities consumptions are constantly tracked, and investments in real estate, installations and related equipment are made considering the impact they have in decreasing such consumptions.

Reduction of electricity consumption is also made by replacing computing equipment and lighting sources with new ones, with low consumption.

In order to protect the environment, as part of S.I.F. Transilvania's responsible development policy, the laws in force in Romania are taken into account, as well as the European rules regulating policies on working environment protection, management of waste resulting from business and protecting business areas.

The Company implemented procedures regulating the method of recovering and recycling wastes from current business. As a result of the specifics of S.I.F. Transilvania business, wastes resulting from business are mainly paper wastes. They are stored by the employees in special areas, the person in charge of managing the office evacuating them periodically for the purpose of using such waste for recycling.

As a result of the implemented internal procedures, for the purpose of reducing unnecessary paper consumption and digitalization of internal processes, in 2020 the paper consumption decreased significantly.

## **XIII. Social Responsibility**

The Company's policy on social responsibility may be viewed on the Company's website: [www.siftransilvania.ro](http://www.siftransilvania.ro), "About SIF Transilvania/Corporate Governance" Section.

S.I.F. Transilvania performed in 2020 sponsorship and patron activities, which materialized in granting financial support for "Valentin" humanitarian project, performance of a surgical intervention on spine, organizing conferences in financial and legal fields, organizing a debate on adoption, organizing the Summit of Romanian Funds Managers, sponsoring Dăruiește Viața Association to build the first private hospital for children with cancer etc. The total amount granted in the sponsorship and patron activities is about RON 100,000.

The Company gives great importance to employees' health, providing them with private medical services insurance based on a contract concluded with a medical services provider.

#### XIV. ESG Policy

According to the 2020-2024 Investment Policy Statement (I.P.S.) of S.I.F. Transilvania, approved by the shareholders, the Company aims to gradually implement the ESG factors in its preliminary investment analyses.

Sustainability factors refer to environmental, social and workforce-related factors, observance of the human rights, matters related to fighting corruption and bribery.

Sustainability risk means an environmental, social or governance (ESG) event or condition which, in case it occurs, could actually or potentially determine a material adverse effect on the value of the investment made by the Company.

The investment decisions are usually based on several factors, and risks of this kind are likely to materialize over a longer time horizon. It is important to acknowledge the fact that taking into account the sustainability-related interests on a longer term is an economically viable approach, and it does not necessarily lead to different returns for investors.

A circular economy, with low carbon emissions, sustainable and efficient as concerns the use of the resources, is essential in order to ensure long-term competitiveness. Business systems and models can be designed by intention, having the capacity to regenerate and thus, the waste of resources to be minimum, and SIF Transilvania wishes to be an active part in such constructions.

Materialization of events resulted from climate changes could favour/determine the occurrence of sustainability risks. The sustainability risks could represent a distinct risk, but they could also have an impact on other risks such as, without limitation thereto: market risks, operational risks, liquidity risks or counterparty risks.

Environmental, social and governance issues imply, for example, for environment-related objectives: the efficient use of energy resources, of energy from renewable sources, of raw materials, water and lands, for production: efficient use of waste and greenhouse gas emissions, for social objectives: contributions to combating inequality or promoting social cohesion, social integration and work relations or investments in human capital, and for the objectives related to good governance practices: compliance with international agreements, compliance with AML-related aspects, fighting corruption.

Currently, the information on these issues available from credible sources might present inconveniences and shortcomings, some of which being: difficulty in obtaining data, incomplete information, most of the time data is based on estimates, lack of updates or inaccuracy. Thus, even when such information is available and identified, there is no current certainty with regard to the possibility of correctly and completely assessing the risks based on this information.

As the amount of available information on the compliance by the issuers/companies with environment, social and governance criteria is still low, investments cannot currently consider all the criteria for environmentally sustainable economic activities and a full/comprehensive/relevant assessment of the negative effects of the investment decisions on the sustainability factors cannot be made at this time.

When the information on the criteria defined by the law will be sufficient for a relevant and complete documentation/analysis, the Company will review the relevant policies and consider the legal criteria for environmentally sustainable economic activities.

Materialization of the sustainability risk may cause an impact on the fund's asset, which may vary in intensity depending on other specific risks and asset class. A sustainability risk for an asset may generate a loss in its value, and therefore, a negative impact on the net asset value of the fund.

Still, considering that S.I.F. Transilvania is, by its setting-up, a diversified closed-end Retail Investor Alternative Investment Fund (RIAIF), the probability that the materialization of a single sustainability risk significantly affects the net asset value of the fund is low and it is unlikely that the sustainability risks shall materially affect the Company.

For mitigating the sustainability risks, the use of some instruments will be considered, such as certain exclusion criteria (information on companies, activities/countries to be excluded) or evaluations in order to identify a possible ESG risk with potentially significant impact (such as information on companies, projects or types of activities, sectoral or geographic impact), which shall also analyse the ESG ratings available from credible external sources.

Although the Company makes all the necessary efforts in the prior analysis of holdings in the decision-making and investment process for the purpose of protecting the interest of its shareholders, and considering that the information on sustainability factors is currently difficult to be obtained, the information is incomplete or not updated and data is often based on estimates, there is a high probability for the Company not to be able to consider the main negative effects of all investment decisions on the sustainability factors.

The sustainability risks cannot be completely eliminated, and their effective and sound management is the subject of the continuous concern of the Company.

Thus, for the above-mentioned reasons, at the date of preparing this Document, the Company does not integrate the sustainability risks in its investment decisions, but considers that the periodical review of the factual situation is important and necessary. At the same time, the sustainability risks are currently considered as being not relevant, for the above-mentioned reasons, and, in case such risks would materialize, their impact would be insignificant for the Company. Given the above-mentioned considerations, the Company does not consider at this time the negative effects of the investment decisions on the sustainability factors.

Whenever the Company will consider it necessary and appropriate, this policy will be subject to reviews, the outcome of which will be communicated to investors, according to the legal provisions in force.

However, the investment decisions will consider and integrate the available relevant information, including those indicating potential negative effects on sustainability factors (in principle, they can be considered favourable for not investing in /exiting from an existing investment, as the case may be).

The Company shall make available to its shareholders and relevant stakeholders the stage and impact of the implementation of the ESG factors at the level of the investment policy and at the level of its activity as a whole, in full agreement with the applicable legal framework and its status of investment entity.

## **S.I.F. Transilvania S.A**

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