



Transilvania Investments

SHAREHOLDERS' REMUNERATION POLICY

Purpose of the Remuneration Policy

The Shareholders' Remuneration Policy of Transilvania Investments Alliance (*the Company*), as an integral part of the corporate governance set of standards, provides information that may support the shareholders and investors in making investment decisions regarding the securities issued by the Company.

Remuneration Policy Context

The Ordinary General Meeting of Shareholders approved the Company's Strategy for the period 2020-2024 and the Investment Policy Statement for the period 2020 – 2024, documents that set forth the elements for continuing the ensurance of the Company's sustainability through balanced policies for its development and for the remuneration of its own shareholders.

The Company's policy regarding the remuneration of its own shareholders considers the following relevant aspects:

- ✓ The long-term investment interest is generated by achieving attractive and sustainable returns over a predictable time horizon;
- ✓ The committing and maintenance of excessive dividend distribution rates from profit proved unfeasible over a medium/long term, because it causes an accelerated erosion (in terms of value and quality) of the managed portfolio and limits the carrying-out of the investment programs;
- ✓ The optimal financing of the annual investment programs involves medium and long-term commitment of financial resources and is based on both internal factors (increasing the efficiency of the disinvestment programs in order to boost the process of selling the holdings included in the accelerated exit category) and external factors (the general circumstances regarding the liquidity conditions and the evolution of the trading benchmarks);
- ✓ The Company's interest concerning the correlation of the cash flows with the shareholders' remuneration requirements, so that the undertakings necessary to ensure the financial resources do not cause significant negative effects on the value and quality of the managed portfolio.

The Company's strategy will focus on implementing a balanced remuneration policy for its shareholders that aims at both a direct remuneration (dividend gain) and indirect remuneration (capital gain resulted from the reduction of the trading discount).

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Societate administrată în sistem dualist

For the period 2020 – 2024, in close correlation with the level of available liquidity, with the phase of the portfolio restructuring process and with the resource assurance requirements for the development of the investment programs, the Company proposes to its current and potential shareholders the following mix of complementary instruments of remuneration instruments for the capital invested in **TRANSI** shares:

- ✓ *Distribution of cash dividends* carrying an attractive return by reference to the average trading price recorded in the financial year for which the dividend is calculated;
- ✓ *Carrying out of redemption programs for **TRANSI** shares*, followed by their cancellation and reduction of the Company's share capital, subject to approval by the Company's shareholders.

Distribution of dividends

The dividend policy promoted by Transilvania Investments Alliance aims to increase the attractiveness of **TRANSI** shares, through ensuring a permanent balance between the remuneration of the Company's shareholders and the financial resources necessary to implement the annual investment programs, according to the medium/long-term strategic objectives.

The dividend policy is adapted to and reflects the general and specific conditions of the environment in which the Company operates: the (regional, national) macroeconomic context, the stage and evolution of the capital market (trend, liquidity), the financial performance registered by the issuers from the Company's portfolio and, implicitly, their shareholders remuneration policy.

Moreover, the dividend policy is adapted to the implementation stage of the current investment policy statement. The promotion of aggressive dividend distribution policies is not sustainable on a medium/long term and would lead to a significant erosion of the managed financial assets and to a limitation of the prospects for the efficient carrying-out of the annual investment programs.

The Company's profit appropriation is annually subjected to the approval of the general meeting of shareholders. The Company's proposal regarding the profit appropriation/dividend distribution is presented to the shareholders by the Company's Executive Board.

In order to increase the level of the financing sources from the net profit that remain at the Company's disposal for the carrying-out of the investment programs and for ensuring the sustainability of the Company's activity, in full agreement with the long-term interest of shareholders, the Company envisages the distribution of cash dividends aiming at a payout ratio of approximately 30% of the net profit achieved and distributed, but not higher than a level that would generate a maximum return of 5.00% by reference to the average trading price recorded in the financial year for which the dividend is calculated.

If the Company, in full agreement with the general macroeconomic and investment context, identifies a series of investment opportunities that could lead to the increase of the Net Asset Value and the market price of **TRANSI** shares, the Company may consider the proposal to distribute the entire profit to legal reserves and/or other own financing sources, based on the resolution of the general meeting of shareholders. The reasons underlying this decision will be highlighted in the annual proposal regarding the financial year's profit appropriation.

Should the general meeting of shareholders approve the distribution of dividends from the net profit achieved by the Company, the shareholders entitled to receive dividends are the shareholders

registered in the Shareholders Register (kept by the company Depozitarul Central S.A.) on the *record date* as approved by the same general meeting approving the distribution and value of dividends. This date will be at least 10 working days after the date of the general meeting of shareholders.

The Company publishes in the press and on its website a press release on the value of the gross dividend per share, the date from which the dividends are to be paid ("*payment date*") and the payment methods. The dividends payment date will not be set later than 6 months from the date of the general meeting of shareholders that approved the distribution of dividends.

In order to benefit from more favorable tax provisions, the shareholders may opt to defer the payment of dividends for a date later than the payment date, in accordance with the relevant legal provisions.

The Company calculates and withholds the tax on dividends due by the shareholders at the rates provided for by the legislation in force at the payment date, and declares and transfers the tax to the State budget.

In accordance with the legal provisions, the payment of dividends is made through Depozitarul Central, the Participants in the clearing-settlement and the registry system (intermediaries, in accordance with art. 2, para. (1), indent 20 of Law 24/2017 which have concluded a participation agreement in the system of Depozitarul Central) and the payment agent selected by the Company. The payment of dividends is carried-out based on the contracts concluded in this respect between the Central Depository and the Company, between the Central Depository and its participants, as well as between the Central Depository and the paying agent.

In the case of shares registered on the record date in individual accounts administered by Depozitarul Central, the payment of dividends due to shareholders is carried out by Depozitarul Central through the payment agent designated by the Company, in accordance with the legal provisions in force.

In the case of shares registered on the record date in accounts administered by an intermediary participating in the Central Depository system, the payment of dividends due to shareholders is carried out by the Central Depository through the Central Depository and the respective participants.

The Company publishes in its annual activity report information regarding the implementation of the dividend distribution policy, the amount of dividends paid in the last three years and, if applicable, the reasons for the potential reduction of dividends during the last three years.

Redemption programs

The mix of complementary instruments for the remuneration of Transilvania Investments Alliance shareholders also includes own shares redemption programs followed by the cancellation of those shares and the reduction of the Company's share capital, as an indirect method of remunerating its own shareholders through the capital gain generated by the effects of the implementation of such operations.

The financing sources of the redemption programs are the available reserves (except for legal reserves) recorded in the most recent approved annual financial statements. The details of the redemption programs will be made available to investors according to the general legal provisions and those specific to said programs.

Over the period in which they are held by the Company, the shares acquired by Transilvania Investments Alliance within the redemption programs grant neither voting rights in the general meeting of shareholders nor dividend rights.

The efficiency of the investment in the Company's own shares is sustained by the basic effects of the redemption programs, such as: the increase of the shares' market price and of the main indicators, the reduction of the gap between the shares' market price and the unitary value of the net asset, the increase of the net asset value, the increase of the shares' liquidity, the consolidation of the shareholders structure, the flexibility offered to shareholders by exercising the option to participate in such programs.

At the same time, an equitable mix between the short-term interest in selling the shares and the encouraging of a long-term holding of the shares issued by Transilvania Investments Alliance is considered.

The best use of cash and the insurance of a balance between the existing liquidities required for the implementation of the mix of complementary instruments for the remuneration and consolidation of the invested capital, for the investment programs and those needed for the insurance of the Company's activity sustainability, will all be considered during the implementation of the redemption programs.

The redemption of own shares may be proposed by the Company's Executive Board if the average trading discount of TRANSI shares (calculated for a semester as average of the monthly indicators, determined as a ratio between the average monthly trading price and the Unitary Net Asset Value for the previous month) will exceed the 40% threshold.

Such proposal will take into account the general macroeconomic and investment context, the implementation stage of the current Investment Policy Statement, respectively the maximum and average levels recorded by the issuers included in the BET-FI index.

General conclusions

Transilvania Investments Alliance aims to implement a mix of complementary instruments for the remuneration and consolidation of the invested capital by ensuring a permanent balance between the shareholders' remuneration and the financial resources necessary to implement the investment programs, through the continuous insurance of the sustainability of the Company's activity, the flexibility of the shareholders' remuneration instruments all the while maintaining the Company's financial strength and all in line with the practices of the companies acting in similar sectors, respectively by creating long-term value for shareholders.