



Transilvania Investments

RULES

of

Self-managed diversified closed-end Retail Investor Alternative Investment Fund (RIAIF), set up as an investment company

TRANSILVANIA INVESTMENTS ALLIANCE S.A.

Updated May 26th, 2023

*These Rules of **Transilvania Investments Alliance** (hereinafter referred to as the **Company**), a self-managed diversified closed-end Retail Investment Alternative Investment Fund (RIAIF), set up as an investment company, hereinafter referred to as the **Rules**, have been prepared by the Company in compliance with the special provisions of Law no. 243/2019 on the regulation of alternative investment funds, amending and supplementing regulatory acts (the **AIF Law**), and the provisions of the Financial Supervisory Authority Regulation no. 7/2020 on the authorization and operation of alternative investment funds, hereinafter referred to as the **Regulation**, and with the regulations and instructions issued for their implementation.*

The Rules may be consulted together with the Simplified prospectus, the regular and current reports and the other documents regulating the activity of Transilvania Investment Alliance S.A. at www.transilvaniainvestments.ro.

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1. INFORMATION ON THE AIFM, RELATIONSHIP WITH INVESTORS

1.1. Information on the management of Transilvania Investments Alliance S.A.

Transilvania Investments Alliance (hereinafter referred to as the **Company**) is a joint-stock company which operates as a closed-end financial investment company and it is authorized in the capacity of Alternative Investment Fund Manager (AIFM), according to the provisions of Law no. 74/2015 on alternative investment fund managers, under F.S.A. Authorization no. 40/15.02.2018. The Company is registered with F.S.A. Register, Section - Alternative Investment Fund Managers, Subsection - Alternative Investment Fund Managers Authorized by F.S.A. (AIFMA) under no. PJR071 A.F.I.A.A./080005.

The Company is managed in a two-tier system by an Executive Board which carries out its activity under the control of a Supervisory Board. The shares of Transilvania Investments Alliance are traded on Bucharest Stock Exchange under TRANSI symbol, Main segment, Premium category.

1.1.1. Identification data

The duration of the Company is that provided by the Articles of Incorporation. The shareholders are entitled to change the duration of the company prior to its expiry under the Resolution of the Extraordinary General Meeting of Shareholders.

The registered office is located in Braşov, Str. Nicolae Iorga nr. 2, Postal Code 500057, phone: 0268.401.142; 0268.419.460; 0800.800.112, fax: 0268.473.215, website: www.transilvaniainvestments.ro; e-mail: office@transilvaniainvestments.ro.

The main activity is NACE Code 6499 - *Other financial service activities, except insurance and pension funding n.e.c.*, Tax Registration Code: RO 3047687, Trade Register Number: J08/3306/1992.

LEI Code: 254900E2IL36VM93H128

According to the applicable rules, the Company is classified as an AIFM of significant sizes, defined under Article 7, paragraph (3[^]1) of the F.S.A. Regulation no. 10/2015 on alternative investment fund management, as *the AIFMs authorized by F.S.A. which manage AIF portfolios with an asset value of at least 200 million Euro, the equivalent in Lei, or which have had an average number of at least 30 permanent employees during the previous calendar year.*"

1.1.2. Goals of Transilvania Investments Alliance management

The main investment goals defined at the level of Transilvania Investments Alliance, through the revised 2020-2024 Investment Policy Statement, are:

- The investment objective of Transilvania Investments Alliance is the maximization of the aggregate returns achieved by the current and potential investors through the investments performed by the company, in compliance with the legislation and the Company's own regulations in force.
- At the same time, Transilvania Investments Alliance seeks the increase of the net asset value through a performant management carried out by specialists, oriented towards value-added generation, in conditions of an active and prudent management of assets from the business lines (trading, tourism, real estate, industry and venture capital / private equity).

1.1.3. Fees levied by AIFM to the investors

Transilvania Investments Alliance S.A., in the capacity of self-managed AIF, does not levy any fee to investors. The investments in Transilvania Investments Alliance's shares are made on Bucharest Stock Exchange.

1.1.4. AIFM expenses and means of calculation

According to the provisions of Article 48 of F.S.A. Regulation no. 7/2020 *on the authorization and operation of alternative investment funds*, the expenses borne by a RIAIF, set up as a company, are the following:

- a) Fees due to the depositary;
- b) Fees due to the intermediaries and other expenses directly or indirectly related to the trading and/or acquisition/sale of the RIAIF assets or admission to trading, including the fees and taxes due to the relevant market operators;
- c) Turnover fees and other bank service fees;
- d) Interest expenses, in case of loans contracted by RIAIF under the legal provisions;
- e) Fees and tariffs owed to the F.S.A. or to other competent authorities, as well as any fees and tax obligations charged in relation to the RIAIF's activity;
- f) Expenses related to the issuance of the RIAIF documents, and to any reporting and transparency obligations of the RIAIF;
- g) Fees related to the financial auditing of the RIAIF, as well as any fees related to non-audit services that may be performed by the financial auditor according to the laws in force;
- h) Amounts payable in respect to the loans contracted under the conditions required by the regulations applicable to RIAIFs;
- i) Expenses afferent to the investor relations and public relations performed in the RIAIF interest.

In addition to the obligations provided at Article 48 of F.S.A. Regulation no. 7/2020 *on the authorization and operation of alternative investment funds*, other costs could be incurred during the activity of the company in order to fulfil its activity object.

The costs shall be calculated in accordance with the terms of the contracts concluded by the Company with the service suppliers or according to the regulations in force. All the types of costs are recorded on a monthly basis in the calculation of the net asset value.

1.1.5. Responsibility of Transilvania Investments Alliance S.A., in the capacity of AIFM, regarding the asset management activity

Transilvania Investments Alliance S.A. is fully responsible for the performance of asset management activity. Transilvania Investments Alliance S.A. has not delegated any task to third parties in order to perform the main functions regarding the management of portfolio and risks - delegation takes place under prior endorsement by F.S.A, based on a written contract and in accordance with F.S.A. regulations issued for the enforcement of Law no. 74/2015.

The purpose of the Company is to increase the value of the invested capital by efficiently managing and administering own assets.

According to the *Articles of Incorporation*, the main field of activity of the Company is NACE code 649 - Other financial service activities, except insurance and pension funding. The main activity is NACE Code 6499 - Other financial service activities not elsewhere classified.

The main activities of the Company are: (i) portfolio management and (ii) risk management.

In the course of the collective management, Transilvania Investments Alliance may additionally carry out activities such as:

- a) entity administration:
- (i) legal and accounting services for the fund;
 - (ii) customer inquiries;
 - (iii) valuation and pricing, including tax returns;
 - (iv) regulatory compliance monitoring;
 - (v) distribution of income;
 - (vi) unit/shares issues;
 - (vii) contract settlements, including certificate dispatch;
 - (viii) record keeping;

b) activities related to the assets of the fund, namely services necessary to meet the management duties of the AIFM, facilities management, real estate administration activities, advice provided to entities with regard to capital structure, industrial strategy and related matters, consulting and services relating to mergers and acquisition of entities, as well as other services connected to the management of the AIF and the companies and of other assets in which it has invested.

The activity object may be amended, supplemented, limited etc. under the decision of the Executive Board, with the approval of the Supervisory board, except for the main field of activity and main activity, which may not be changed unless under a resolution of the Extraordinary General Meeting of Shareholders.

2. INFORMATION ON THE DEPOSITARY OF THE FUND, RELATIONSHIP BETWEEN AIFM AND DEPOSITARY

2.1. Identification data of the Depositary

The depositary of Transilvania Investments Alliance's assets is BRD-Groupe Société Générale S.A., a credit institution with the registered office in Bucharest, Bd. Ion Mihalache nr. 1-7, camera 1, sector 1, registered with the Trade Register Office under no. J40/608/1991, sole registration code 361579, tax identification code RO 361579, authorized to act in the capacity of custodian and depositary according to F.S.A. Decision no. 4338/09.12.2003, and registered with F.S.A. Register under no. PJR10DEPR/400007, telephone no. 021-2008372, fax 021-2008394, web: www.brd.ro.

2.2. Subject matter of the depositary contract concluded between AIFM and Depositary

According to the Regulations in force and the AIF Documents, the Depositary:

- a) Provides depositary services for AIF assets, including calculation and/or certification of the value of AIF assets on the due dates established in the Regulations in force and AIF documents;
- b) Keeps in safe conditions, by means of custody services, all the assets held in custody;
- c) Performs settlement services.

2.3. Duration of the contract concluded between AIFM and Depositary

The depositary contract is concluded until 31.12.2021 with the possibility to tacitly extend it for one year, if none of the Parties notifies in writing to the other Party its intention to terminate the Contract, by complying with a notice period of 90 (ninety) calendar days. The depositary contract shall be enforced on the date F.S.A. authorizes Transilvania Investments Alliance as an AIF.

2.4. Types of instructions received by Depositary from AIFM

Transilvania Investments Alliance provides the depositary with proper instructions establishing the operations which the depositary is bound to perform with regard to the activities which they carry out. Such proper instructions are whether general instructions, which authorize the performance of specific routine activities or generally repetitive activities, or special communications for extraordinary

situations based on which the depositary performs their duties regarding the supply of Fund's asset depositary services according to the legal provisions.

2.5. Depositary fees

The depositary fee is calculated according to the chart established under the depositary contract of Transilvania Investments Alliance, and it amount to EUR 1,500/month, a fee calculated and paid on monthly basis.

In addition to the abovementioned deposit fee, Transilvania Investments Alliance owes to the Depositary fees for other services:

1. For the financial instrument custody activity - Settlement of transactions;
2. For the financial instrument custody activity - safekeeping the financial instruments;
3. Government Securities' fees.

Such fees are subject to the valid legal provisions on value added tax.

The Depositary shall not transfer, mortgage, guarantee or dispose in any other way of any Financial Instruments or amounts of money entrusted to be kept on behalf of the AIF, except for the following situations:

- i. instructions sent in this respect to the Depositary/Custodian related to the self-managed AIF/AIFM and only for the benefit of the investors, by complying with the applicable legal provisions; or
- ii. special measures ordered by the F.S.A.

2.6. Depositary liability

The Depositary is liable for the storage and safekeeping of Transilvania Investments Alliance's assets. The Depositary is liable to Transilvania Investments Alliance S.A. and its shareholders for any loss suffered by them as a result of non-compliance or inadequate compliance with its obligations, according to the contract terms.

2.7. Termination of the depositary contract

The contract shall be automatically terminated, without the intervention of a law or arbitration court **and** without any additional formality, in the following situations:

- a) by unilateral termination of the Contract by any of the Parties, provided that a written notification of termination is given to the other Party according to the notice period stipulated in the contract. Such deadline shall lapse as of the date the termination of the Contract is notified to F.S.A. by the Party requesting the termination of the Contract;
- b) in case of withdrawing the authorization / permit of operation of any Party by F.S.A. and/or N.B.R. in the case of the Depositary/Custodian;
- c) in case N.B.R. initiates the special management or supervisory procedures in the case of the Bank, AIFM shall proceed with unilateral termination of the Contract;
- d) in case of initiating the dissolution/winding-up procedures or other similar procedures in the case of the AIFM;
- e) in the case of initiating the bankruptcy procedure for any of the Parties. The AIFM shall proceed with unilateral termination of the Contract;
- f) with the consent of the Parties and by concluding an addendum in this respect;
- g) by termination of the Contract under the conditions provided in the contract.

Any of the Parties is entitled to consider the Contract automatically terminated, without being necessary the intervention of a law or arbitration court, without notice of default or any other additional formality, in case the other Party fails to comply, inadequately complies or delays the compliance with any of the obligations provided in or arising from the Contract, and they fail to remediate such non-compliance within the due period indicated by the affected Party in the notification provided in this respect, a period which shall not exceed 5 (five) business days.

2.8. Force majeure in respect to the depositary contract

The commitments undertaken by the AIFM under the Depositary contract shall not be extinguished or suspended (or otherwise prejudiced or adversely affected) by any force majeure event, unforeseeable circumstances or due to any other reasons independent of the will of the AIFM, or by any delay or infringement caused by a third party. For the avoidance of any doubt, in the case of obligations payable in amounts of money or any other fungible assets (e.g. financial instruments), the parties shall not invoke force majeure effects, unforeseeable circumstances or other similar events.

3. INFORMATION ON TRANSILVANIA INVESTMENTS ALLIANCE - SELF-MANAGED CLOSED-END DIVERSIFIED RETAIL INVESTOR ALTERNATIVE INVESTMENT FUND, SET UP AS AN INVESTMENT COMPANY

3.1. Identification data of Transilvania Investments Alliance S.A. (AIF)

Transilvania Investments Alliance S.A. is a self-managed diversified closed-end Retail Investor Alternative Investment Fund (RIAIF), set up as an investment company. Moreover, Transilvania Investments Alliance is authorized as an Alternative Investment Fund Manager (AIFM). The Company is a closed-end AIF defined at Article 1, paragraph (3) of Regulation (EU) no. 694/2014, listed on Bucharest Stock Exchange.

The shares issued by Transilvania Investments Alliance do not have redemption option, and the shareholders do not have the right to request the redemption of their shares by the Company, except in the cases specifically provided by the law. Transilvania Investments Alliance has no obligations to redeem the shares held by its shareholders, except within the redemption programs approved by the extraordinary general meeting of shareholders.

The Company cannot give effect to the redemption requests made by investors for the shares they hold, before the beginning of the liquidation phase of the fund, directly or indirectly, from the fund's assets, in accordance with the legal provisions.

Transilvania Investments Alliance has a subscribed and paid-in share capital of RON 216,244,379.70, the number of issued is of 2,162,443,797, and the nominal value of one share is of RON 0.1.

Shareholding structure: 100% private. Free float: 100%.

Transilvania Investments Alliance shares are traded on the regulated market of Bucharest Stock Exchange, Premium category. The Company has been admitted to trading on 01.11.1999.

International identifiers: Bucharest Stock Exchange: TRANSI, ISIN: ROSIFCACNOR8, Bloomberg: TRANSI RO, Reuters: TRANSI.BX.

The currency used for denomination is RON.

3.2. Goals of Transilvania Investments Alliance S.A. (AIF)

Transilvania Investments Alliance S.A. is an AIF investing mainly on the Romanian capital market, predominantly in medium-risk shares. The purpose of management is to increase the value of the managed assets.

Transilvania Investments Alliance is generally pursuing an investment policy on a medium/long-term horizon. Adopting a medium/long investment horizon allows to capitalize on investment opportunities characterized by a reduced liquidity level such as private equity, venture capital, implemented in compliance with the investment limits undertaken through the Company's risk profile.

The objectives set for a medium/ long-term investment horizon are assumed considering the specific macroeconomic influences. The medium/long-term investment horizon allows access to higher yields attached to the risk premiums specific for each type of investment. Diversifying of the investments leads to the optimization of the aggregated indicators at the entire portfolio level.

Transilvania Investments Alliance's mission is to increase the value of the managed assets through the entire range of instruments provided for by the legislation applicable to the capital market and to implement a balanced policy for the remuneration of the Company's shareholders.

Detailed description of AIF - Transilvania Investments Alliance's objectives can be found in the following documents:

- *The revised 2020-2024 Investment Policy Statement*, approved by the shareholders, which is available on the Company's website at: https://transilvaniainvestments.ro/wp-content/uploads/2022/05/D.P.I.-Transilvania-Investments_2020-2024_revizuita-28.04.2022-EN.pdf
- *The revised 2020-2024 Strategy of Transilvania Investments Alliance*, approved by the shareholders, which is available on the Company's website: https://transilvaniainvestments.ro/wp-content/uploads/2022/05/Strategia-Transilvania-Investments_2020-2024_revizuita-28.04.2022-EN.pdf
- *The Key Information Document* which can be accessed at: https://transilvaniainvestments.ro/wp-content/uploads/2023/05/kid_2023430_en-1.pdf

Transilvania Investments Alliance's financial objective is to increase the value of the invested capital through an efficient management of its own assets. Transilvania Investments Alliance has a predominant exposure on the Romanian capital market, mainly on listed shares issued by companies acting in the financial - banking, tourism, real estate and energy sectors.

The Company manages a complex portfolio that may include any of the following main financial asset categories: shares, fixed-income instruments, fund units/ETFs, capital holdings in investment funds/collective investment undertakings, equity interests, alternative investment instruments (including derivatives), without limitation thereof. Regarding the fixed-income financial instruments, Transilvania Investments Alliance may invest in treasury bills, government securities and corporate bonds, as well as in bank deposits.

Recommended minimum investment period

Transilvania Investments Alliance does not have a minimum holding period. The listed funds are addressed to long-term investors and their yields may vary during their existence. The investment horizon defined by Transilvania Investments Alliance's 2020-2024 Strategy (revised) generally pursues a medium/long term investment policy, by considering the specific macroeconomic influences.

The recommended holding period is of five years.

The investors may purchase and sell shares via the stock market mechanisms on Bucharest Stock Exchange. There is no penalty borne by the investors in case of selling the shares prior to the recommended holding period. The investors shall bear the trading fees levied for the financial intermediation services, in accordance with the provisions of the contracts signed by them with the intermediaries through which they purchase or sell Transilvania Investments Alliance shares.

Transilvania Investments Alliance shares are intended for individual investors seeking higher returns and willing to accept a medium investment risk. The investment in Transilvania Investments Alliance shares is intended for retail investors who have sufficient experience and theoretical knowledge of the capital market and closed-end investment funds, who seek to maximize their investment and are

willing to accept the risks associated with the exposure to shares traded in emerging markets and who have adequate risk tolerance for partially or entirely losing their investment.

Transilvania Investments Alliance shares do not have redemption option, and the shareholders do not have the right to request the redemption of their shares by the Company, except in the cases specifically provided by law. Transilvania Investments Alliance has no obligations to redeem the shares held by its shareholders, except within the redemption programs approved by the extraordinary general meeting of shareholders.

3.3. Categories of financial instruments in which Transilvania Investments Alliance may invest

The company manages a complex portfolio which may include any of **the following main categories** of financial instruments: shares, fixed-income instruments, fund units/ETFs, capital holdings in investment funds/collective investment undertakings, equity interests, alternative investment instruments (including derivatives).

Transilvania Investments Alliance **primarily invests** on the Romanian capital market, mainly in listed shares, as well as in equity securities issued by undertakings for collective investment in transferable securities and by alternative investment funds, in unlisted securities and money market instruments.

Transilvania Investments Alliance **may also invest** in fixed-income financial instruments (treasury bills, government securities) and alternative investment instruments (including financial derivative instruments) permitted by the legislation applicable to RIAIF, by complying with the investment limits.

Transilvania Investments Alliance invests only in assets and financial instruments that can be valued and whose risks can be properly identified, measured, monitored, managed, controlled and reported.

In accordance with the provisions of Law no. 243/2019, a RIAIF shall invest exclusively in one or several of the following assets:

- a) Securities and money market instruments recorded or traded on a trading venue in Romania or in a Member State;
- b) Securities and money market instruments admitted to official listing on a stock exchange in a third state which operates regularly and is recognized and open to the public, provided that the choice of stock exchange has been approved by F.S.A. in accordance with the eligibility requirements provided at Article 42 of F.S.A. Regulation no. 7/2020;
- c) Newly issued securities, which are subject of a public offer for the purpose of being admitted to trading, by cumulatively complying with the following conditions:
 - i. the issue documents include an undertaking that an application will be made for admission to trading on a trading venue or for trading on a stock exchange in a third state regularly operating and recognized and open to the public, provided that the choice of trading venue or stock exchange has been approved by F.S.A. or is stipulated in the rules of the fund or articles of incorporation of the investment company approved by F.S.A.;
 - ii. such admission is secured within maximum one year as of the issue;
- d) Units of UCITS or AIF established or not in member states, by cumulatively complying with the following conditions:
 - i. the AIFs are authorized or registered;
 - ii. the AIF activities are subject to regular reports which enable the valuation of the assets and liabilities, revenues and operations over the reporting period, in accordance with the redemption frequency provided to the investors, as the case may be;

- iii. the AIF profile is compliant with the AIF liquidity profile set by AIFM according to Article 4, paragraph (11) of Law no. 243/2019.

The Company invests exclusively in UCITS and AIF which ensures, through their incorporation documents or other relevant documents, the individual segregation of the assets owned or their segregation in omnibus accounts, which are reconciled by the UCITS /AIF's depository at least with a frequency similar to the subscription or redemption frequency provided to the investors in the concerned UCITS/AIF An omnibus account, that can include assets of several clients of the UCITS/AIF's depositories, shall not contain own assets of the UCITS/AIF's depository or of other delegated third-party entities.

- e) Deposits with credit institutions which are repayable upon request or have the right to be withdrawn, with a maturity which does not exceed 12 months, provided that the registered office of the credit institution is located in Romania, in a Member State or in a Third State, in this last case provided that the credit institution is subject to prudential rules equivalent to those issued by the European Union;
- f) Financial derivative instruments, with final settlement in cash or in the underlying share of the instrument, traded on a trading venue or on a stock exchange in a Third State, according to letters a) and b) and/or financial derivative instruments traded outside the regulated markets, by cumulatively complying with the following conditions:
 - i. the underlying asset consists of instruments provided in this article, as well as financial indices, interest rates, precious metals, energy products and foreign exchange rates;
 - ii. the counterparties, in the negotiation outside the regulated markets, are entities subject to prudential supervision, which belong to the categories approved by F.S.A.;
 - iii. the financial derivative instruments negotiated outside the regulated market are subject to a daily and verifiable measurement and they can be sold, liquidated or the position may be closed on a daily basis at their fair value by an offsetting transaction;
- g) Money market other than those traded on a trading venue, which are liquid and have a value that can be precisely determined at any time, except the commercial papers, provided that the issue or issuer is subject to the regulations on protection of investors and their savings, and the instruments are:
 - i. issued or guaranteed by a central, local or regional administrative authority, by a central bank of a member state, by the European Central Bank, by the European Union or by the European Investment Bank, by a third country or, in the case of Federal States, by one of the members of the federation or by an international public body to which one or several Member States is/are part of; or
 - ii. issued by an undertaking whose securities are negotiated on the regulated markets referred to at letters a) and b); or
 - iii. issued or guaranteed by an entity subject to prudential supervision, according to the criteria defined by the European legislation, or by an entity which is subject to and complies with prudential rules considered by F.S.A. to be equivalent to those provided by the European legislation; or
 - iv. issued by other entities which belong to the categories approved by F.S.A., provided that the investments in such instruments are subject to investor protection equivalent to that laid down in sections (i), (ii) and (iii) and provided that the issuer is a company whose capital and reserves amount to at least the equivalent in Lei of EUR 10,000,000 and which presents and publishes its annual financial statements according to the applicable European legislation, or an entity which, within a group of companies which includes one or several listed companies, has the role of financing the group or is an entity dedicated to the financing of securitisation vehicles which benefit from a banking financing line;

- h) Equity interests in limited liability companies, regulated by Law no. 31/1990, republished, as subsequently amended and supplemented, whose annual financial statements are audited according to the law;
- i) Securities defined at Article 3, paragraph (1), section 26 of Government Emergency Ordinance no. 32/2012¹ which are not admitted to trading on a trading venue, or they are not traded on a stock exchange in a third state;

The Company may invest in corporate bonds not admitted to trading on a trading venue, by complying with at least the following conditions laid down in Article 44, paragraph (1) of F.S.A. Regulation no. 7/2020:

- a. the corporate bond issuer has at least two years of activity at the time of investing in the corporate bond issue. In case the issuer of corporate bonds has less than two years of activity, Transilvania Investments Alliance invests only in corporate bond issues guaranteed by a credit institution authorized by N.B.R. or by a subsidiary in Romania of a credit institution authorized in other Member State or by other liquid/payable guarantees accounting for at least 100% of the value of the corporate bond issue.
- b. the annual financial statements of the corporate bond issuer are audited according to the law, and they do not indicate significant risks, such as creditworthiness, liquidity or solvency risk, regarding their financial position, likely to determine the non-compliance with the obligation to pay the coupons and the principal afferent to the corporate bond issue;
- c. the corporate bond issuer is not included on the list of tax payers with fiscal arrears published on the website of the National Agency of Fiscal Administration;
- d. the corporate bond issue has recorded profit at least within the last three consecutive financial years, as it results from the afferent annual financial statements audited according to the law; in case the corporate bond issuer has less than two years of activity, then, it has recorded profit in all financial years.

The situation of the guarantees provided at Article 44, paragraph (1), letter a) of F.S.A. Regulation no. 7/2020 is notified to F.S.A. upon providing the first weekly report with regard to the situation of the net asset of Transilvania Investments Alliance after making the investment.

For the enforcement of Article 44, paragraph (2) of F.S.A. Regulation no. 7/2020, the situation of guarantees provided at Article 44, paragraph (1), letter a) of the same Regulation, which can be letters of bank guarantee, insurance of the bond issue by an insurance company, or other justifying documents issued by financial institutions or the legal representative of the issuer of the concerned guarantees, contains the signature of the persons responsible of Transilvania Investments Alliance and the signature of the representative of the depository.

The concerned guarantees shall be measured off-balance sheet, in accordance with the rules applicable to the measurement of Transilvania Investments Alliance's assets.

The corporate bonds for which the payment of the principal and the afferent coupons was not made on the due date shall be measured at 0 (zero) value or at the value of the called guarantee, as the case may be, additional investments in financial instruments issued by the same issuer being prohibited.

¹Article 3, paragraph (1), section (26) of Government Emergency Ordinance no. 32/2012: securities:

a) shares and other values equivalent to shares;

b) bonds and other debt securities;

c) any other negotiable securities which give the right to purchase the concerned securities by subscription or exchange.

Provided that the afferent amounts are not cashed within 10 business days as of the due date provided in the issue prospectus, Transilvania Investments Alliance's directors initiate and communicate to F.S.A. the legal actions for the recovery of the debt.

Transilvania Investments Alliance has an internal methodology to select the corporate bonds not admitted to trading, which includes an analysis of the credit risk of the issuer of corporate bonds not admitted to trading, and it is based on at least the following principles:

- quantification of the credit risk of the issuer of corporate bonds not admitted to trading and assessment of the probability of default of the issuer, and of the concerned issue of corporate bonds not admitted to trading, based on a measurement template;
- use of qualitative indicators for the measurement of the issuer's credit risk by considering the national and international macroeconomic situation and the current market conditions;
- use of the rating provided by a credit agency registered by ESMA or internationally recognised, or of the indicative quotations provided by specialized agencies based on the principle of comparison with other similar financial transactions, if available;
- cost-benefit analysis of economic reliability and profitability of the investment purpose for which the issuer of corporate bonds not admitted to trading intends to attract finance;
- analysis of the liquidity of the issue of corporate bonds not admitted to trading by reference to other securities issued by the same issuer.

These provisions on corporate bonds not admitted to trading shall not apply in case the corporate bonds not admitted to trading are issued by a company in which Transilvania Investments Alliance holds at least 51% of the share capital.

- j) freely convertible foreign currency procured on the internal market, according to N.B.R. criteria;
- k) government securities;
- l) real estate assets, by complying with the F.S.A. regulations; the real estate assets are defined according to Article 2, letter b) of Law no. 243/2019, namely, an existing construction whose completion is certified based on a work acceptance protocol, or a land;
- m) greenhouse gas emission certificates, as defined at Article 3, letter b) of Government Decision no. 780/2006 regarding the development of the scheme for marketing of greenhouse gas emission certificates, as subsequently amended and supplemented;
- n) tangible and intangible assets strictly necessary to perform the activity.

3.4. Hedging strategies that could be used to manage the portfolio

- Mitigation of the risk of a long position on a diversified share portfolio with a short position on a futures contract and/or on an equivalent options portfolio, a case in which their returns are strongly correlated, and the short position and/or the option portfolio enables the incontestable mitigation of the general market risk.

The following strategies are not considered hedging operations:

- Offsetting of the combined risk between a short position on a share and a derivative on an underlying asset represented by another share closely correlated to the share on short position;
- Strategy consisting in investment in a basket of shares with short position on a stock exchange index whose purpose is to decrease the beta component and to keep the alfa component of the concerned investment.

The strategies involving trading of financial derivative instruments comply with the principles listed in the relevant chapter of the Procedure regarding the investments, defined at the Company level.

3.5. Risk factors deriving from the investment policy of the closed-end investment fund (risks specific to Transilvania Investments Alliance S.A.)

During its day-to-day business, Transilvania Investments Alliance may encounter both specific risks resulting from its current operations and indirect risks arising from the performance of operations and services in cooperation with other financial entities. Also, through specific instruments the Company seeks to proactively identify the factors and potential circumstances that could adversely influence its activity in order to adopt the best preventive actions. Thus, by means of adequate risk management mechanisms and procedures it is intended to acquire their proper management in order for their impact to be mitigated.

In this respect, the following potential and current risk categories which Transilvania Investments Alliance S.A. is exposed to have been reviewed and measured:

A. Operational risks

The operational risks are reviewed from the perspective of quantitative approach. All operational risks generated by the processes, systems and human resources which Transilvania Investments Alliance employs in its current activity are reviewed in this category.

The operational risk is defined as the risk of loss caused by either the employment of inadequate processes, systems and human resources or which have not properly complied with their function, or by external events and actions. This category also includes the legal risk.

The following two specific risks with significant impact on Transilvania Investments Alliance's activity stand out among the operational risks:

- Custody risk associated to financial instruments traded on external markets in EU or in a Third State - until the preparation of this Document, no incident has been recorded with regard to the custody / transfer / transaction settlement in the relationship with the custodian of the Company.
- Professional liability risk associated to investments which can be proven to be fraudulent - for covering such risks, Transilvania Investments Alliance provides additional own funds equal to 0.01% of the value of the managed portfolio and the total value of the assets, respectively.

The operational risk management implies the following activities: identification, notification, review and monitoring of the operational risk events.

Operational risk events - means any action or situation that could give rise to an operational risk.

Monitoring: recording and monitoring the progress of the identified operational risk events, including the required measures.

Gross operational loss: loss borne by the Company as a result of an operational risk event. Net operational loss: difference between gross operational loss and recoveries received by the Company.

a) Legal risk

Legal risk is a risk of loss as a result of fines, penalties and sanctions which the Company might be subject to in case of failure to enforce or inadequate enforcement of the legal or contractual provisions, and also as a result of the fact that the contractual rights and obligations of the Company are not properly established. In the legal risk category, the following risks are monitored:

- **Contractual risk** - it is determined by the failure to enforce or inadequate enforcement of the contractual terms;

- **Compliance risk** - the risk for the Company to bear sanctions provided by the laws or regulations, to record significant financial losses or to have its reputation affected as a result of its failure to comply with provisions of the legislative or regulatory framework, its own rules and standards and also of the codes of conduct applicable to its activity.

b) I.T. risk

It is a subcategory of the operational risk which refers to the current or future risk that the revenues and equity are adversely affected due to the inadequacy of the I.T. strategy and policy, information technology and information processing, with reference to its management capacity, integrity, controllability and continuity, or by the improper use of the information technology.

c) Strategic risk

It is the current or future risk that the revenues and equity are adversely affected due to the changes in the business environment or unfavourable business decisions, the inadequate implementation of decisions or the lack of reaction to the changes in the business environment.

d) Reputational risk

It is the current or future risk that the revenues and equity are adversely affected due to the shareholders, investors or Supervisory Authority's unfavourable perception on the Company's image. The impact of the reputational risk occurs as unrealised gains (e.g. risk of discontent of the Company's shareholders, media attack etc.).

e) Risk related to outsourced activities

It represents the financial, reputational and operational impact which the failure of the service provider to adequately render the outsourced activity could have on the Company, also including the risk of impossibility of the Company to continue to carry out financial activities and/or to comply with the provisions of the valid laws as a result of the failure or of the difficulties faced by the person hired by the Company under a contract to carry out activities which are usually carried out by the Company – this risk is managed by the departments which manage the concluded contracts.

f) Model risk

It is a potential loss which could be incurred by the Company as a result of decisions that could be mainly based on the results of internal models, due to errors in the development, implementation or use of such models.

g) Conflict of interest risk

It refers to any situation in which the interests of the Company are divergent to the personal interests of employees, managers, directors or their close relatives.

B. Market risk

It is the risk of loss for the company, which arises from the fluctuation of the market value of the positions in the portfolio of financial instruments, a fluctuation which may be attributed to the change of the market variables: share prices, exchange rates, interest rates, that could modify the company's revenues or the value of the financial instruments held.

The components of the market risk are:

- a) **Price or position risk** - it is the risk for the value of a financial instrument to fluctuate as a result of the changes of the market prices, changes caused by factors at macro level affecting all the instruments traded on the market (systematic component) or by factors specific to the individual instruments or their issuer (non-systematic component). The unsystematic risk component may be eliminated by diversification.
- b) **Foreign currency risk** - it is the risk for the value of a financial or monetary instrument to fluctuate due to foreign exchange rate change.
- c) **Interest rate risk** - it is the risk for the value of a financial or monetary instrument to fluctuate due to interest rate variations on the market.
- d) **Commodities risk** - it refers to the loss caused by the fluctuations on the commodities market because of factors specific to commodities (perishability, storage issue etc.). Such risk considers all positions held by Transilvania Investments Alliance on commodity derivatives (except gold) irrespective of the holding period or the liquidity level recorded by the concerned positions.

C. Liquidity risk

Liquidity risk, with the following sub-categories: the risk of not covering the current liquidity requirement without considering the uncollected dividends (net LCR), risk of not covering the liquidity requirement by considering the uncollected dividends (gross LCR), risk of funding the long-term assets from resources other than the permanent ones, and the risk afferent to the liquidity of the portfolio of financial assets held by Transilvania Investments Alliance.

D. Credit risk

- a) **Credit risk** expresses the possibility for the debtors or securities issuers to fail to comply with their obligations on the due date as a result of degradation of their financial situation which could be determined by the conditions of the business of the borrower or by the general situation of the economy. Credit risk occurs in relation to any type of debt.
- b) **Issuer risk** is the risk of losing the value of a security from a portfolio as a result of the deterioration of its economic and financial situation, which could be determined by the conditions of the business or by the general situation of economy. The rate of exposure to this risk is measured by i) the rate of exposure to issuers with high bankruptcy risk (risk of bankruptcy of an issuer expresses the probability for the equity of an issuer to be insufficient to cover the losses resulted from the current activity or for such losses to negatively affect the results of the Company).
- c) **Concentration risk**, which is analysed, in particular, from the perspective of large exposures to a debtor/issuer. At the same time, as part of the concentration risk, the exposures registered by Transilvania Investments Alliance to different categories of assets and financial operations are also analysed from the perspective of the requirements provided by the legislation in force.

Carrying out transactions with financial derivative instruments, both for the purpose of covering the risk and as an instrument of active investment management, could determine the increase of the volatility of the Company's yields. Transilvania Investments Alliance is bound to calculate the leverage on a monthly basis by using the gross method and the commitment method, according to the provisions of Regulation (EU) no. 231/2013.

3.6. Applicable investment limits

Transilvania Investments Alliance S.A., as a diversified RIAIF, shall carry out investments by complying with the following limits:

- a) it shall not hold more than 10% of its assets in securities and money market instruments issued by the same issuer, except the 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 which one or several Member States are part of. The 10% limit can be increased up to maximum 40%, provided that the total value of the securities held by RIAIF in each of the issuers in which it holds up to 40% shall not exceed in any case 80% of its assets;
- b) it shall not hold more than 50% of its assets in securities and money market instruments issued by entities belonging to the same group as defined at Article 2, letter j) of Law no. 243/2019, and in the case of the group which the AIFM managing the concerned AIF is part of, such limit is of 40%;
- c) the exposure to counterparty risk in a transaction with financial derivatives traded outside the regulated markets shall not exceed 20% of its assets irrespective of the counterparty of the transaction;
- d) the global exposure to financial derivatives shall not exceed the total value of its assets;
- e) the value of the current accounts and cash shall not exceed 20% of its assets; the limit may be exceeded up to 50%, provided that the concerned amounts originate from the issue of securities, matured investments or sale of financial instruments from the portfolio, and the concerned exceeding is not for more than 90 days;
- f) it shall not set-up or hold bank deposits with the same bank, accounting for more than 30% of its assets;
- g) it shall not hold more than 20% of its assets in securities not admitted to trading on a trading venue or on a stock exchange in a Third State issued by a single Retail Investor AIF;
- h) it shall not hold more than 10% of its assets in securities not admitted to trading on a trading venue or on a stock exchange in a Third State issued by a single AIF intended for professional investors;
- i) it shall not hold more than 50% of its assets in securities not admitted to trading on a trading venue or on a stock exchange in a Third State issued by other open-end AIF. In the case of the group which the AIFM managing the concerned AIF is part of, the holding limit is of 40% of its assets;
- j) it shall not hold more than 40% of its assets in securities issued by a single UCITS authorized by F.S.A. or by a competent national authority from another Member State, and also in securities issued by a single collective investment body admitted to trading on a trading venue in Romania, other Member State or on a stock exchange of a Third State;
- k) it shall not grant loans consisting of financial instruments which to account for more than 20% of its assets, the loan period not exceeding 12 calendar months, in accordance with F.S.A. regulations regarding margin transactions and loan operations; the limit of 20% of its assets may be increased up to 30% with F.S.A. approval, under the conditions set-forth in F.S.A. regulations;
- l) it shall not grant cash loans, it shall not participate/subscribe to syndicated loans, it shall not guarantee cash loans in favour of a third party, except the entities from the group which the RIAIF, set up as an investment company, is part of, within the range of 10% of its assets; it shall not directly, partially or fully acquire credit portfolios issued by financial or non-financial entities, except the investments in financial instruments issued by internationally recognized financial institutions, credit institutions or non-banking financial institutions authorized by N.B.R. or by other central banks of a Member State or Third States;

- m) it shall not hold more than 40% of its assets in securities², money market instruments not admitted to trading on a trading venue or on a stock exchange in a Third State, except the securities and bonds issued by the Ministry of Public Finance and the holdings acquired by the concerned RIAIF under the law, in the case of which no holding limit is enforced;
- n) it shall not hold more than 20% of its assets in equity interests issued by limited liability companies, regulated under Law no. 31/1990, republished, as subsequently amended and supplemented;
- o) it shall not hold more than 10% of its assets in greenhouse gas emission certificates, as defined at Article 3, letter b) of Government Decision no. 780/2006, as subsequently amended and supplemented.

In case of exceeding such limits, exclusively in the situations independent of its will, Transilvania Investments Alliance is bound to comply again with the legal requirements within 30 days as of exceeding the concerned limit. The company is bound to notify the asset depositary and F.S.A., within two business days, with regard to the exceeded limits, through a document containing the justification of the causes that determined such situation and a plan of measures for complying again with the legal requirements within 30 days as of the infringement date.

In accordance with its Investment Policy, Transilvania Investments Alliance has the following legal restrictions:

- it shall not perform changes of financial instruments in exchange of cash or other financial instruments from its portfolio, and it shall not use free assignments of illiquid assets from its investment portfolio to investors (“redemption in kind”) according to Article 43, paragraph (2) of F.S.A. Regulation no. 7/2020;
- it shall not perform short selling, as defined according to the provisions of Regulation (EU) no. 236/2012 *regarding short selling and certain aspects of credit default swaps*, unless for the purpose of covering the risks, according to Article 33, paragraph (1) of AIF Law;
- it shall not invest in money market instruments of commercial paper type, according to Article 35, paragraph (1), letter g) of AIF Law.

Information on the Investment Policy is provided to the shareholders within the Investment Policy Statement (approved by the Ordinary General Meeting of Shareholders). The Company provides within its regular activity reports information on the way the investment policy is implemented. The indicated documents are published on Transilvania Investments Alliance website, www.transilvaniainvestments.ro.

3.7. Responsibilities with regard to the investment opportunities analysis

The **Investment Policy Statements** of Transilvania Investments Alliance S.A. are subject to the approval of the executive management of the Company and General Meeting of Shareholders (as the case may be), and they define the general action framework depending on the long-term investment goals,

²Law no. 24/2017, Article 2, paragraph 44, securities – securities as defined by Article 3 paragraph (1) indent 84 of Law 126/2018 as further amended and supplemented: classes of financial instruments that can be negotiated on the capital market, except for the payment instruments, such as:

- a) shares issued by companies and other securities equivalent to shares issued by companies, partnerships or other entities, as well as certificates of deposit linked to underlying shares;
- b) bonds and other debt securities, including certificates of deposit linked to underlying securities of this type;
- c) any other securities which provide the right to buy or sell such securities or which give rise to a cash settlement determined by reference to securities, currencies, interest rates or yields, commodities or other indexes or measurement units;

establishing modalities to implement the strategies adequate to the economic cycle under prudential conditions.

The Investment strategy seeks to increase the value of the managed assets by maximizing the risk-adjusted aggregate return and aims to: ensuring the quality of the managed portfolio by continuing the accelerated restructuring thereof, structural balancing of portfolio, increasing the portfolio aggregate liquidity and promoting instruments for an efficient and attractive remuneration of shareholders and the adequate management of financial resources required by such instruments.

Transilvania Investments Alliance S.A. is hierarchically organised, having several decision-making levels with specific prerogatives as follows:

- *Level I* - General Meeting of Shareholders: the highest deliberation and decision-making body of the Company;
- *Level II* – Company’s Management:
 - Supervisory Board: supervises and controls the process of managing the Company by the Executive Board, and represents the Company in the relationship with the Executive Board;
 - Executive Board: ensures the actual management of the Company and its representation in the relationship with third parties;
- *Level III* - Heads of functional compartments.

The Executive Board of Transilvania Investments Alliance is responsible for the proper management and adequate conduct of the Company’s business, including for the implementation of policies and achievement of objectives, and it is responsible for the enforcement of the general investment policy.

Transilvania Investments Alliance has specialized departments, i.e. Analysis Department, Portfolio Management Department, Trading Department, Business Development Department, which are in charge of the specific analysis and substantiation of investment opportunities and placement of assets in accordance with the approved investment strategies.

The persons holding positions directly related to the portfolio management or analysis, strategy, trading, business development activity have an adequate knowledge and understanding of the assets in which Transilvania Investments Alliance invests.

3.8. Issue, sale, redemption and annulment of Transilvania Investments Alliance shares

The securities issued by Transilvania Investments Alliance, a closed-end investment fund, are registered and ordinary shares, of the same class, listed on the B.S.E. regulated market. Investors may acquire and sell shares by means of stock market mechanisms. Transilvania Investments Alliance has no obligation to redeem the shares owned by its shareholders.

Transilvania Investments Alliance may reimburse capital proportionate to the share of the shareholders’ contributions for the purpose of decreasing the share capital of the F.I.A.S., with the approval of the extraordinary general meeting of shareholders, in accordance with the provisions of Law no. 31/1990, republished, as subsequently amended and supplemented, Law no. 243/2019 *on the regulation of alternative investment funds and for the amendment and supplementation of certain legislative acts*, and F.S.A. Regulation no. 7/2020 on the authorization and functioning of alternative investment funds, [as](#) further amended and supplemented.

Transilvania Investments Alliance may redeem its own shares under the resolution of the Extraordinary General Meeting of Shareholders, with the approval of F.S.A. and in accordance with the applicable legal provisions. The shares thus acquired may be used, based on the resolution of the Extraordinary General Meeting of Shareholders for the purpose of decreasing the share capital, stabilizing the market price of own shares on the capital market or remunerating the identified personnel as defined in the F.S.A. regulations enforcing the E.S.M.A. guidelines regarding the solid remuneration policies in accordance with Directive no. 61/2011/EU (DAFIA). The payment is made exclusively from own sources.

3.9. Methods to calculate the net asset value

The valuation activity is functionally independent, a fact guaranteed by the Organizational Chart of the Company. The Procedure for valuation of shares, bonds, fund units, equity securities in the form of capital holdings in investment funds/collective investment undertakings/alternative investment funds in accordance with the documents and the investment policy of the respective entities, derivatives and equity interests held in limited liability companies (S.R.L.) in portfolio and the internal methods and rules regarding the valuation of financial assets were defined at the level of the Company. The process of estimating the fair value is carried out by valuers authorized by A.N.E.V.A.R., in accordance with I.F.R.S. and S.E.V.

By reference to the organisational structure and regulations of Transilvania Investments Alliance, the valuation function is performed at internal level. In the case of the portfolio assets whose values are estimated using level 3 input data, the valuation activity may be performed by a third party, based on a service contract concluded for the drafting and providing of valuation reports, or at internal level, in compliance with the legislation and Valuation Standards in force at the reference date of the valuation report.

Transilvania Investments Alliance may conclude a service contract for preparation and supply of valuation reports intended for the estimation of the fair value of Transilvania Investments Alliance's holdings. The supplier of valuation services complies with the specific requirements provided by the legislation in force, having the necessary expertise and skills to carry out such activity.

Investment entity

Starting with the financial year 2015, Transilvania Investments Alliance S.A. has been adopting the I.F.R.S. standards as the accounting base, in compliance with the requirements of the F.S.A. Rule no. 39/2015.

As an Investment Entity, the Company provides information on the fair value of its investments, measures the majority of its investments at fair value within the financial statements and provides information on the fair value of investments to the key management personnel of the Company (according to the definition provided in IAS 24), who use such information as primary attribute for the measurement of the performance of substantially all of the Company's investments and for making investment decisions (I.F.R.S. 10).

I.F.R.S. 10.4 sets out certain exceptions with respect to the preparation of consolidated financial statements, among which the exception applicable to parent companies which are classified as "investment entities". Within the process of reassessing the investment entity status, Transilvania Investments Alliance regularly reviews the extent to which the requirements concerning the classification as an investment entity are met. Starting with 1 January 2015, as a result of the analyses carried out, Transilvania Investments Alliance's management has found that the Company met the requirements of the definition of an "investment entity" in compliance with I.F.R.S. 10.

I.F.R.S. 10 defines an investment entity as an entity that:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both;
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

As of 1 January 2015, the Company's financial investments have been measured at fair value. In light of IFRS 9, as of 1 January 2018, Transilvania Investments Alliance has classified its investments in subsidiaries and associated entities, the bonds and the fund units as financial instruments at fair value through profit or loss. The Company's investments in other equity instruments (other than subsidiaries

and associated entities) are classified as financial assets at fair value through other comprehensive income and/or as financial assets at fair value through profit or loss.

Transilvania Investments Alliance directly provides services related to investment management for its investors, having as its main and exclusive business scope those activities specific to closed-end investment companies. Transilvania Investments Alliance does not provide investment related consultancy and administrative services, directly or indirectly through a subsidiary, to third parties and/or its investors.

Transilvania Investments Alliance applies an exit strategy based on the permanent monitoring of the investments made under the approved investment programs, the analysis of the current market developments and the achievement of higher yields and of the objectives defined under the annual revenue and expenditure budgets.

According to the International Financial Reporting Standards, the fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

According to IFRS 13, the fair value levels, depending on the input data used in the measurement process, are defined as follows:

- Level 1 input data are (unadjusted) quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 input data are input data other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 input data are unobservable input data for the asset or liability.

3.10. Valuation rules used in respect to Transilvania Investments Alliance portfolio

This section provides the rules for the valuation of financial assets for the asset categories in which the Company may invest, by complying with the relevant legal provisions. In the case of assets for which a market price is available, the relevant market and the market prices should be considered for their valuation.

In the case of joint-stock companies admitted to trading on a regulated market or multilateral trading system with a liquidity considered by Transilvania Investments Alliance, based on a prudential value judgement regarding the active market as defined by I.F.R.S. 13 - *Fair value measurement*, as being irrelevant for the application of the mark-to-market measurement approach, Transilvania Investments Alliance may decide for the shares of the concerned companies to be measured in accordance with the valuation standards in force, according to the law, based on a valuation report. In case the Company decides to apply this measurement approach, it shall maintain it for at least one calendar year, for the concerned shares considered illiquid.

As general rules:

1. The shares held in companies listed on a regulated market in Romania are assimilated to the financial instruments traded on an active market, as long as they record transactions in the last 30 trading days. Any exception to this rule, i.e. including the shares held in a company listed on the Romanian regulated market in the category of financial instruments traded on a market with a liquidity considered by Transilvania Investments Alliance as being irrelevant for the application of the mark-to-market method, shall be made based on a prudential value judgment regarding the active market defined by the International Financial Reporting Standard 13 - Fair value measurement (I.F.R.S. 13).

2. The shares held in companies listed on an alternative/multilateral trading system in Romania are assimilated to the financial instruments traded on an inactive market, even though they record transactions in the last 30 trading days. Any exception to this rule, i.e. including the shares held in a company listed on an alternative/multilateral trading system in Romania in the category of financial instruments traded on a market with a liquidity considered by Transilvania Investments Alliance as being irrelevant for the application of the mark-to-market method, shall be made based on a prudential value judgment regarding the active market defined by the International Financial Reporting Standard 13 - Fair value measurement (I.F.R.S. 13).
3. The shares held in companies listed on any trading system in a Member State or Third State are assimilated to the financial instruments traded on an active market, as long as they record transactions in the last 30 trading days. Any exception to this rule, i.e. including the shares held in a company listed on the Romanian regulated market in the category of financial instruments traded on a market with a liquidity considered by Transilvania Investments Alliance as being irrelevant for the application of the mark-to-market method, shall be made based on a prudential value judgment regarding the active market defined by the International Financial Reporting Standard 13 - Fair value measurement (I.F.R.S. 13).

In order to calculate the value of the net assets of the Company, the portfolio holdings are measured and reflected into the net asset value at the values established in accordance with the regulations in force:

Asset category	Measurement methods
<p>1. Financial instruments admitted to trading and traded in the last 30 trading days (business days) on a regulated market or in trading systems other than regulated markets, from a Member State, including alternative trading system in Romania, and also those admitted to the official listing of a stock exchange or an alternative trading system in a Third State</p>	
<p>1.1 Shares and any other negotiable securities which give the right to acquire the respective securities through subscription or exchange</p>	<p>They shall be measured as follows:</p> <p>I. shares traded on a market with a liquidity considered by Transilvania Investments Alliance as being relevant for the application of the mark-to-market method, according to the aforementioned general rules</p> <p>I.1 at the closing price of the market section deemed as main market, afferent to the day for which the calculation is done – in the case of shares admitted to trading on the respective regulated market in the Member State/stock exchange in the Member State, which records a liquidity considered relevant; or</p> <p>I.2 at the reference price afferent to the day for which the calculation is done, in the case of shares traded in trading systems other than regulated markets, including in other alternative trading systems, price provided by the operator of the respective trading system for each of the segments of the respective system.</p> <p>The price used as reference price is calculated based on the trading activity on the day for which the asset calculation is done, being used as landmark at the opening of the trading session on the next day.</p> <p>II. shares traded on a market with liquidity considered by Transilvania Investments Alliance as being irrelevant for the application of the mark-to-market method,</p>

according to the aforementioned general rules - at the value determined in accordance to the international valuation standards, based on a valuation report updated at least on an annual basis.

1.2 Equity securities issued by Collective Investment Undertakings (C.I.U.)

They shall be measured as follows:

I. equity securities issued by C.I.U. traded on a market with liquidity considered by Transilvania Investments Alliance as being relevant for the application of the mark-to-market method, according to the aforementioned general rules

I.1 at the closing price of the market section deemed as main market, afferent to the day for which the calculation is done, in the case of equity securities admitted to trading on the respective regulated market in the Member State/stock exchange in the Member State; or

I.2 at the reference price afferent to the day for which the calculation is done, in the case of equity securities traded in trading systems other than regulated markets, including in other alternative trading systems, price provided by the operator of the respective trading system for each of the segments of the respective system.

The price used as reference price is calculated based on the trading activity on the day for which the asset calculation is done, being used as landmark at the opening of the trading session on the next day.

II. equity securities issued by C.I.U. traded on a market with liquidity considered by Transilvania Investments Alliance as being irrelevant for the application of the mark-to-market method, according to the aforementioned general rules - at the last net asset value per unit calculated and published/communicated by their manager or published by internationally recognized private companies.

1.3 Fixed-income financial instruments

According to one of the following methods: at closing price/reference price, depending on the trading venue of the instrument, by using mid/bid prices that include relevant composite price benchmarks published by Bloomberg, through a method of determining the value of the instrument based on well-established valuation techniques;

If the principal and/or coupons of the instrument are not paid within 10 working days of the deadline set out in the prospectus, it shall be included in the net asset at zero value.

1.4 Financial derivative instruments

The latest information available for the day for which the calculation is done, i.e. the closing price / average price /

	bid price/ ask price of the market section deemed as main market.
1.5 Money market instruments	At the value determined through the method based on daily interest recognition and amortization of the discount/premium afferent to the period elapsed from the date the investment is made until the day the net asset is calculated, inclusively.
2. Financial instruments not admitted to trading on a regulated market or in trading systems other than regulated markets, including alternative trading systems in Romania, in a Member State or a Third State	
2.1 Shares	At the value determined in accordance to the international valuation standards, based on a valuation report updated at least on an annual basis.
2.2 Fixed-income financial instruments	According to one of the methods set out in point 1.3, exclusively the closing price/reference price; If the principal and/or coupons of the instrument are not paid within 10 working days of the deadline set out in the prospectus, it shall be included in the net asset at zero value.
2.3 Money market instruments	At the value determined through the method based on daily interest recognition and amortization of the discount/premium afferent to the period elapsed from the date the investment is made until the day the net asset is calculated, inclusively.
2.4 Equity securities issued by Collective Investment Undertakings (C.I.U.), capital holdings according to the documents and investment policy of the respective entity	At the last net asset value per unit or net asset value attributable to the capital holding, calculated and published/communicated by their manager or published by internationally recognized private companies.
2.5 Equity interests in limited liability companies (S.R.L.) according to Law no. 31/1990	At the value determined in accordance to the international valuation standards, based on a valuation report updated at least on an annual basis.
3. Financial instruments admitted to trading on a regulated market, in an alternative trading system or in systems other than regulated markets, in a Member State, including an alternative trading system in Romania, and also those admitted to the official listing of a stock exchange or of an alternative trading system in a Third State, but not traded in the last 30 trading days	
3.1 Shares and any other negotiable securities which give the right to acquire the respective securities through subscription or exchange, equity securities issued by Collective Investment Undertakings (C.I.U.)	The shares are measured at the value determined in accordance with the international valuation standards, based on a valuation report updated at least on an annual basis; The equity securities issued by C.I.U. are measured at the last net asset value per unit calculated and published/communicated by their manager or published by internationally recognized private companies.
3.2 Fixed-income financial instruments	According to one of the methods set out in point 1.3, exclusively the closing price/reference price; If the principal and/or coupons of the instrument are not paid within 10 working days of the deadline set out in the prospectus, it shall be included in the net asset at zero value.
3.3 Financial derivative instruments	The latest information available for the day for which the calculation is done, i.e. the closing price / average price /

	bid price/ ask price of the market section deemed as main market.
3.4 Money market instruments	At the value determined through the method based on daily interest recognition and amortization of the discount/premium afferent to the period elapsed from the date the investment is made until the day the net asset is calculated, inclusively.
4. Amounts held in current accounts	By considering the available balance reflected in the account statement on the date for which the calculation is done, being taken from the balance sheet. The amounts in the current accounts opened by the company with credit institutions undergoing the bankruptcy procedure on the date of calculating the net asset shall be included in the net asset at zero value.
5. Bank deposits	At the value determined through the method based on daily interest recognition afferent to the period elapsed from the date the investment is made.
6. Shares suspended from trading for a period of at least 30 trading days (business days) as a result of the decision of the market or system operator made in order to provide the investors with information which could determine changes of the issuer's share price	At the value determined in accordance with the international valuation standards, based on a valuation report prepared by a third-party valuator and updated at least on an annual basis.
7. Shares not admitted to trading, including those issued by credit institutions or admitted to trading and not traded within the last 30 trading days (business days), whose financial statements are not obtained within 90 days as of the legal dates for submission	At zero value or at the value determined in accordance with the international valuation standards, based on a valuation report prepared by a third-party valuator and updated at least on an annual basis.
8. Shares of companies regulated under Law no. 31/1990, admitted or not admitted to trading, undergoing the insolvency or reorganisation procedure	They are included in the net asset as of the date the announcement is made public on the website of the regulated market or alternative trading system on which they are traded, or from other sources, at zero value or at the value determined in accordance with the international valuation standards, based on a valuation report prepared by a third-party valuator and updated at least on an annual basis.
9. Shares of companies regulated by Law no. 31/1990, undergoing judicial winding-up procedure or other forms of winding-up and shares of companies with temporary or definitive discontinuation of activity, as of the date the announcement is published on the website of the regulated market, or of the alternative trading system on which they are traded	They are included in the net asset at zero value as of the date the announcement is published on the website of the regulated market or alternative trading system on which they are traded.

<p>10. Shares of companies regulated under Law no. 31/1990 or under the applicable laws of the Member States or Third States, from Transilvania Investments Alliance's portfolio, not admitted to trading or admitted to trading on a regulated market, in an alternative system or other trading systems in a Member State, including in an alternative trading system in Romania, and those admitted at the official listing of a stock exchange or an alternative trading system in a Third State, but not traded in the last 30 trading days (business days), with negative equity value</p>	<p>At zero value.</p>
<p>11. Shares of companies admitted to trading on a regulated market/alternative trading system, which have a negative equity value, not traded for a period of more than 30 trading days, and such period coincides with the period of suspending from trading of the respective shares</p>	<p>At zero value.</p>
<p>12. Shares resulted from the splitting/consolidation of the nominal value of shares admitted to trading on a regulated market or in trading systems other than regulated markets</p>	<p>The shares are measured as of the ex-date until the date of their entry into trading, by dividing the price prior to the split to the splitting coefficient, respectively by multiplying it by the consolidation coefficient.</p>
<p>13. Shares held as a result of share capital increases performed by cash contribution from investors, without the issuance of pre-emptive</p>	<p>The due shares and the amount owed by the Company as a result of participating in the share capital increase are recorded in the Company's assets as follows:</p> <ul style="list-style-type: none"> a) on the first day on which the investors buying the shares can no longer participate in the share capital increase, in case the market price is higher than the subscription price; b) on the date of the actual payment of the shares subscribed in the share capital increase, in case the market price is lower than the subscription price. <p>and they are measured at the closing price of the market section deemed as main market or at the reference price provided under systems other than the regulated markets, including alternative trading systems by the operator of the respective trading system, afferent to the day for which the calculation is done.</p>
<p>14. Shares held as a result of share capital increases performed by cash contribution from investors, with the issuance of pre-emptive rights</p>	<p>In case the capital increase is performed by issuing pre-emptive rights, they shall be recorded in the Company's assets on the first day on which the investors buying the shares can no longer participate in the share capital increase.</p>

Until the first trading day, the pre-emptive rights shall be valued at theoretical value. The theoretical value of the pre-emptive right is calculated according to the following formula: Theoretical value of pre-emptive right = (market price of old shares - subscription price of the new share based on pre-emptive rights) * [number of new shares / (number of old shares + number of new shares)] * [number of old shares / number of issued pre-emptive rights], where the market price of the old shares is represented by the closing price of the last day on which the investors buying shares are entitled to participate in capital increase.

Subsequent to the admission to trading, the pre-emptive rights shall be valued at the closing price of the market section deemed as main market of the respective market on the day for which the calculation is done. In case no transaction is performed, the valuation at theoretical value shall be maintained.

After the trading period of the pre-emptive rights until the exercise thereof, the pre-emptive rights shall be valued at the last closing price recorded in the trading period, and they shall be recorded in a distinct row "Dividends or other receivable rights".

Upon exercising the pre-emptive rights, the due shares shall be adequately recorded in the Company's assets. In case the pre-emptive rights are not exercised, they shall be cancelled on the date of expiring the exercising deadline.

<p>15. Shares held as a result of subscription within an initial public offering of shares</p>	<p>They are deemed as "newly issued securities" and measured based on the purchase price of the shares subscribed within the public offering. This modality of recording and measuring the respective subscribed shares maintains until the date of the first transaction on stock exchange.</p>
<p>16. Shares of companies not admitted to trading resulted from share capital increase with cash contribution</p>	<p>They shall be measured as follows:</p> <ul style="list-style-type: none"> a) until the date of registering the share capital increase with the Trade Register Office, at subscribed value; b) from the date of registering the share capital increase with the Trade Register Office, similarly to the provisions of section 2.
<p>17. Shares of companies not admitted to trading resulted from share capital increase without cash contribution</p>	<p>They are recorded in the Company's assets as of the date of registering the share capital increase with the Trade Register Office, based on justifying documents provided by the company certifying the new value of the equity corresponding to the new share capital.</p>
<p>18. Dividends, and also the shares distributed without consideration in cash, resulted from participation in capital increase</p>	<p>They are recorded in the Company's assets on the first day on which the investors buying the shares can no longer benefit from dividends, or on the first day on which the investors buying the shares can no longer participate in the capital increase. The dividends</p>

distributed by the companies not admitted to trading are recorded in Transilvania Investments Alliance's assets on the date of the resolution of the General Meeting of Shareholders.

The valuation is carried out at the closing price of the market section deemed as main market or at the reference price provided under systems other than regulated markets, including in the alternative trading systems, by the operator of the respective trading system, afferent to the day for which the calculation is done.

In the case of shares/equity interests held in companies which, following the closure of a legal procedure, are transferred from the sub-portfolio of non-operational companies to the category of operational ones, and for which the fair value estimation requires the preparation of a valuation report, the zero value recorded prior to the change of company's state can be maintained for a period no longer than 3 months, starting from the last day of the month in which such change was made in the internal records of Transilvania Investments Alliance.

The values of any financial instruments included in the regular reports of the Company at any value other than the fair value shall be reconciled with the fair values determined in accordance with the International Valuation Standards, based on valuation reports, within synthetic accounts distinctly provided in the respective reports.

3.11. Formula for the calculation of the net asset value and frequency of its calculation

The formula for the calculation of the net asset value per share (N.A.V.P.S.) is in accordance with Article 47, paragraph (4) of F.S.A. Regulation no. 7/2020.

The net asset value and the net asset value per share of Transilvania Investments Alliance S.A. are calculated by the Company and certified by the Depositary based on the instructions and documents provided to it by Transilvania Investments Alliance. The instructions, information and documents provided to the Depositary by Transilvania Investments Alliance are reliable information based on justifying primary documents.

The value of the Company's net asset on a certain date is calculated as the difference between the total value of the assets held and the aggregate value of the Company's liabilities and deferred income, in balance on the calculation date. The calculation of the aggregate value of the liabilities includes both current liabilities and non-current liabilities, and also the provisions set-up by the fund.

The Company's net asset value per share on a certain (reference) date is calculated according to the following formula:

$$\text{Net asset value per share} = \frac{\text{Net value of the asset on that (reference) date}}{\text{number of shares issued and outstanding on that date (of reference), exclusively the treasury shares (own shares (redeemed by the company)) and the shares afferent to deposit certificates or own share interest certificates redeemed and held on the reporting date}}$$

For the purpose of calculating the unit value of the fund's assets, the certificates of deposit and certificates of interest issued by a third party, linked to the respective underlying shares, are assimilated to own shares redeemed by the Company.

The net asset value per share (N.A.V.P.S.) is calculated on a monthly basis by Transilvania Investments Alliance, and in case of share capital increase or decrease, the assets' Depository certifies the situation.

3.12. Publication of the net asset value

Under Article 38, paragraphs (1) and (2) of Law no. 243/2019, the Executive Board of Transilvania Investments Alliance prepares and submits to F.S.A. and publishes reports with regard to N.A.V. and N.A.V.P.S. values, calculated by the Company and certified by the depository, and also with regard to the detailed situation of the investments on the reporting date.

The net asset value (N.A.V.) and net Asset Value per share (N.A.V.P.S.) are calculated by the Company on a monthly basis, in compliance with the applicable regulations in force.

Transilvania Investments Alliance monitors its investment portfolio structure and performance and:

1. Publishes on a monthly basis the Statement of assets and liabilities, namely reports regarding N.A.V. and N.A.V.S. calculated by the Company and certified by the Depository (Annex no. 10 according to F.S.A. Regulation no. 7/2020), together with the statement of the assets for which valuation methods in accordance with international standards and fair value principle had been considered (Annex according to art. 38 paragraph (4) of Law no. 243/2019);
2. Calculates on a monthly basis and publishes on a quarterly, half yearly and yearly basis, within the time limit provided for in the applicable legislation for the publishing of quarterly/half-yearly/yearly reports, the detailed statement of investments (Annex no. 11 according to F.S.A. Regulation no. 7/2020).

The above-mentioned statements are published on the Company's website: www.transilvaniainvestments.ro and on the Bucharest Stock Exchange website: www.bvb.ro, under the section dedicated to the issuer Transilvania Investments Alliance, in compliance with the applicable regulations in force.

The above-mentioned statements are published on the Company's website not later than 20 business days from the end of the reporting period, provided that the F.S.A. has not objected or asked for clarifications, in accordance with the law.

In the Company's monthly newsletter, prepared and disseminated in both Romanian and English language (sent to the B.S.E. and F.S.A., published on the company's website www.transilvaniainvestments.ro and sent via email to the subscribers), the following relevant data regarding the company's portfolio may be provided: structure, sector exposure, developments of the N.A.V.P.S., market price and discount, top companies etc.

Initial value of the fund unit

The subscribed and paid-in share capital of Transilvania Investments Alliance amounts to RON 216,244,379.70 and consists of 2,162,443,797 common, registered and dematerialized shares, issued at a nominal value of RON 0.1000/share.

The shares issued by Transilvania Investments Alliance are traded on the regulated market of the Bucharest Stock Exchange, on the Main segment, under the Premium category, under TRANSI symbol. The Company has been admitted to trading on 01.11.1999.

3.13. Conditions for the cessation of the Depository's activity and for its replacement

The activity cessation or replacement of the depository takes place, as the case may be, according to the procedure established under title II "Depository", chapter V "Termination of depository function" of the F.S.A. Regulation no. 9/2014.

As a result of termination of the depository contract, Transilvania Investments Alliance S.A. shall take all the necessary measures to conclude a depository contract with another depository endorsed by F.S.A. The Depository shall cooperate and provide the reasonably requested information in order to support the transfer of the AIF's assets to any new depository, according to the Regulations in force.

The transfer of the Fund's assets between depositories shall take place in accordance with the applicable F.S.A. regulations, the main pursued goal being to provide protection for investors and to properly inform them. The liability for the prejudices caused during the transfer shall belong to the depository, whether transferor or transferee, due to the fault of whom the concerned prejudice was caused.

The Depository shall be replaced by complying with the legal provisions and by providing the protection of investors, irrespective of the causes which led to their replacement.

Conditions and means to replace the Depository

A depository may terminate their function in the following cases:

- a) termination of the contract by any of the parties, notified to the F.S.A. at least 90 days before such termination takes effects;
- b) initiation of the special management or supervisory procedures by N.B.R. or initiation of the bankruptcy procedure;
- c) withdrawal of the operation permit/authorization by F.S.A., N.B.R. or competent authorities from the Member State supervising the activity of the credit institution.

Termination of depository contract

A depository contract terminates in the following cases:

- a) upon the initiative of one of the parties under the contractual terms;
- b) with the consent of the Parties.

The parties may unilaterally terminate an asset depository contract only subsequent to providing a 90-day written notice. The notice deadline shall lapse as of the date the termination of the Contract is notified to the F.S.A.

In case the depository contract ceases with the consent of the Parties, the fund shall send to the F.S.A. the addendum (original) to the former depository contract regarding the termination of contractual relationships between the two entities.

The decision to terminate the depository contract shall be published on Transilvania Investments Alliance's website within three business days as of the termination date. The Company shall be bound to conclude a new depository contract within the abovementioned 90-day period, the new contract being enforced no later than the first business day following the 90th day.

Initiation of the special management or supervisory procedures or initiation of the bankruptcy procedure

In case that a special management or supervisory procedure or a bankruptcy procedure is initiated against the depositary, within maximum 5 days as of the initiation of such procedure, the Executive Board of the fund shall change the contract by written unilateral termination. In case of bankruptcy, the procedure is deemed initiated when the syndic judge rules its initiation.

Suspension and withdrawal of the authorization granted by F.S.A.

F.S.A. may suspend the authorization granted in order to operate as depositary, upon the justified request of the depositary, in case that they do not conclude within an 18-month period at least a depositary contract for the deposit of assets. The individual deed of suspension of the operation authorization shall indicate the reason and period of suspension, which may be between 6 months and 24 months. The depositary activity may be resumed only subsequent to notifying F.S.A. and provided that the legal conditions are complied with.

The notice shall be accompanied by:

- a) a copy of the contract for deposit of the assets of an UCITS;
- b) updated documents provided at Article 63, paragraph 1 of F.S.A. Regulation no. 9/2014.

F.S.A. may order the cancellation of suspension subsequently to ascertaining the compliance with the above-mentioned conditions. In case that upon the expiry of the suspension period, the depositary fails to comply with the conditions required, F.S.A. shall be entitled to withdraw the authorization for operation as a depositary. These provisions shall apply only to the credit institutions registered with the Public Register of F.S.A. in the capacity of depositary.

F.S.A. is entitled to withdraw the issued authorization under the following conditions:

- a) if it was obtained based on fake or misleading information or documents;
- b) if the depositary fails to comply with the legal provisions regarding the activities, obligations and liability of a depositary;
- c) if the authorization of the depositary was withdrawn by N.B.R. or by the competent authority from the Member State;
- d) upon the request of the depositary;
- e) in case the conditions existing upon the authorization of the depositary are no longer met;
- f) if the depositary failed to conclude assets depositary contracts within an 18-month period as of the authorization date, and it has not requested the suspension in accordance with the legal provisions.

In case the authorization is withdrawn due to infringement by the depositary of the legal provisions, F.S.A. shall communicate its decision to the depositary and the fund which has concluded depositary contracts with them. Following the receipt by the Company of the F.S.A. decision on the withdrawal of the depositary's authorization, the provisions regarding the *Initiation of the special management or supervisory procedures or initiation of the bankruptcy procedure* shall be applied.

Restrictions and measures regarding the transfer of the assets to the new depositary

Within maximum two business days as of the conclusion date, the depositary contract shall be sent to the F.S.A. for endorsement; within maximum two business days as of the date of the communication regarding the endorsement by the F.S.A. of the depositary contract, the transferor-depositary shall initiate the complete transfer of the fund's assets to the new depositary which has concluded a contract with the self-managed investment company.

The transfer period shall not exceed 30 days as of the date of authorizing the new depositary. Within maximum two days as of the date of completing the transfer of the assets, but no later than the 30-day deadline, the transferor-depositary is bound to send to the F.S.A. the asset delivery-receipt

protocol. Otherwise, the F.S.A. shall apply to the representatives of the transferor-depositary the sanctions provided by the applicable law.

The liability for the prejudices caused during the transfer shall belong to the transferor-depositary or to the new depositary due to which the concerned prejudice occurred. Within seven days as of the completion of the fund's asset transfer process, the transferor-depositary is bound to send to the F.S.A. and to Transilvania Investments Alliance a report containing the detailed description of the way in which the assets have been transferred, the certified value of the net asset and of the unitary net asset, the number of shareholders and number of issued shares, as at the date the last transfer operation is performed. Within 30 days as of the date of authorizing the new depositary contract, the Executive Board is bound to update the documents of the fund with the name of the new depositary and the terms of the new depositary contract, and to send them to the F.S.A. in order for the concerned changes to be authorized.

Within 15 days as of the completion of the asset transfer process, the new depositary is bound to send to the F.S.A. the fund's asset delivery-receipt protocol signed with the transferor-depositary.

Rules for ensuring the investors protection in case of replacement of the Depositary

The Company has implemented a set of internal regulations in order to ensure the investors protection, which contains policies and procedures regarding, without limitation:

- (i) enforcement of the corporate governance principles;
- (ii) rules of ethics and conduct for the employees of the Company;
- (iii) prevention and management of the conflicts of interest;
- (iv) settlement of the petitions regarding the Company's activity;
- (v) communication strategies.

3.14. Leverage calculation methods

Leverage means any method by which the AIFM increases the exposure of a managed AIF whether through the borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.

3.14.1. General aspects

According to the Risk Management Policy in force, Transilvania Investments Alliance intends to use a leverage of approximately 1.5, but under no circumstances higher than 2.0.

The *maximum leverage level* which Transilvania Investments Alliance may engage is twice the net asset value, a level considered reasonable for a diversified RIAIF, also considering the following legal aspects:

- Law no. 243/2019, Article 35, paragraph (2), letter d) "*Global exposure to financial derivative instruments shall not exceed the total value of its asset*".
- Recommendation of the European Systemic Risk Board regarding the liquidity and leverage risks in investment funds (C.E.R.S./2017/6; 2018/C 151/01) for UCITS Therefore, "the UCITS which uses both cash borrowing and securities financing transactions or derivatives can leverage up to a maximum of 2.1 times their NAV."
- As compared to UCITS, which are strongly regulated investment funds, AIF are investment funds which are allowed to invest in assets similar to those allowed for UCITS, but which are not subject to restriction having such level of details regarding diversification, liquidity or leverage.
- There is no regulated leverage level; AIF are only bound to report the use of leverage.

The procedure **regarding the calculation of leverage** describes the modality by which Transilvania Investments Alliance may increase the exposure of its assets by borrowing cash or securities or by financial derivative positions or by any other means, considering the general provisions regarding the use of leverage, in accordance with the legal provisions.

Transilvania Investments Alliance's procedures consider the calculation of the maximum leverage level that can be used by the Company considering:

- (i) The investment strategy;
- (ii) The leverage-generating sources;
- (iii) The extent to which the leverage is guaranteed; (iv) assets - liabilities ratio;
- (iv) The volume, nature and importance of the activities carried out on the capital market.

Transilvania Investments Alliance calculates the leverage as the ratio between its global exposure and its net asset value. For a complete image of the leverage use and in order to monitor the systemic risks, the exposure to assets shall be calculated by using the gross method, by which the global exposure of the Company is calculated, and also the commitment method, which provides information on the hedging and netting technics used.

3.14.2. Calculation of exposure in accordance with the gross method

All the positions representing the short- and long-term assets and liabilities, loans, financial derivative instruments and all the other positions which the value of the net asset is constituted of shall be initially included in the calculation of the exposure.

- i. For the calculation of exposure in accordance with the gross method, the following shall be considered:
 - conversion of the financial derivative instruments into the equivalent positions in their underlying assets, by using adequate conversion methodologies;
 - inclusion of the exposure resulting from the reinvestment of cash borrowings, representing the higher of the market value of the realized investment or the total amount of the borrowed cash;
 - inclusion of the positions held within repurchase or reverse repurchase agreements and securities borrowing and lending agreements;
- ii. The cash borrowings remaining in the Company in the form of cash, and also the value of any cash and cash equivalents which are highly liquid investments held in RON, which are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return not exceeding the 3-month rate of government bonds shall be excluded from the positions valued to calculate the exposure by means of the gross method.

3.14.3. Calculation of exposure in accordance with the commitment method

- i. For the calculation of the exposure in accordance with the commitment method, the following shall be considered:
 - conversion of each financial derivative instrument position into the equivalent position in the underlying asset of that derivative, using adequate conversion methodologies, except the case when the financial derivative cumulatively complies with the following conditions:
 - a) holding at the same time a financial derivative instrument regarding a financial asset, as well as the cash which is invested in cash equivalents complying with the conditions provided in section ii) above, this being equivalent to holding a long position on the respective financial asset, and
 - b) the financial derivative instrument does not generate an increase in exposure and leverage or risks;
 - application of netting and hedging agreements, as follows:

- a) netting arrangements shall include combinations of transactions with financial derivative instruments or securities positions which refer to the same underlying asset, irrespective of the maturity date, if those transactions are made for the single purpose of eliminating the risks afferent to the positions taken through the other financial derivative instruments or securities positions;
 - b) hedging arrangements shall include combinations of transactions with financial derivative instruments or securities positions which do not necessarily refer to the same underlying asset, if those transactions are made for the single purpose of offsetting the risks afferent to the positions taken through the other financial derivative instruments or securities positions;
- calculation of the exposure created by reinvesting the borrowings where such reinvestment increases the exposure.
- ii. A financial derivative instrument shall not be converted into an equivalent position in the underlying asset, according to the methodology, if the following conditions are met:
 - It swaps the performance of the financial assets held in the portfolio for the performance of other reference financial assets;
 - It fully offsets the risks of the swapped portfolio assets, so that the performance of the Company's performance does not depend on the performance of the swapped assets;
 - It includes neither additional optional characteristics nor other additional risks as compared to the direct holding of the reference financial assets.
- iii. The hedging agreements shall be considered when calculating the exposure only provided that the following conditions are met:
 - the positions involved within the hedging relationship are not intended to generate a return;
 - the general and specific risks afferent to financial derivative instruments are offset;
 - the hedging arrangements refer to the same class of assets;
 - according to the netting agreements, the financial derivative instruments which refer to the same underlying asset may be mutually offset, even if the maturity date is different;
 - the financial derivative instruments used for currency hedging purposes, which do not generate an increase in exposure and leverage or other risks, shall not be included in the calculation;
 - the loans contracted by the Company shall not be considered, if they are temporary (less than 3 months) or if they concern capital commitments of the shareholders, and they are fully covered by such commitments.

The provisions of these rules shall be supplemented with the provisions of EU Regulation no. 231/2013 and of the laws issued for its enforcement. Transilvania Investments Alliance, by means of the risk management function, shall regularly monitor the leverage of the AIF in order to verify the compliance with the established limits.

3.14.4. Reporting

Information on leverage shall be regularly reported according to the legal provisions applicable to AIFM and AIF, namely:

- i. The monthly statement of the net asset, according to Annex no. 10 to F.S.A. Regulation no. 7/2020 - shall contain an explanatory note providing information on the measurement methods used for those financial instruments for which measurement methods compliant with the valuation standards in force have been chosen, in accordance with the law (compliant with the fair value principle), the leverage level and the value of the RIAIF exposure calculated according to the provisions of the Regulation (EU) no. 231/2013 (Article 38, paragraph 4 of Law no. 243/2019).
- ii. Half-yearly reporting according to Annex IV to Regulation (EU) no. 231/2013 - the main source of this reporting is represented by the data included in the net asset reporting.

3.15. Information provided at Article 14 of Regulation (EU) no. 2365/2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) no. 648/2012, corroborated with Section B of the same regulation.

The securities financing transactions (S.F.T.) allow investors and companies to use assets, such as shares and bonds which they own in order to provide financing for their activities.

A financing transaction with securities may be:

- a repurchase transaction - sale of a particular security and the agreement to acquire it in the future in exchange for the initial amount of money, plus the profit margin for the use of such money;
- securities borrowing for a fee in exchange of a guarantee in the form of financial instruments or cash granted by the borrower;
- a buy-sell back or sell-buy-back transaction;
- a margin lending transaction.

3.15.1. Methods to increase exposure

Transilvania Investments Alliance S.A. may increase the exposure of its managed assets by borrowing cash or securities or by financial derivatives positions or by any other means, considering the general provisions regarding the use of leverage, in accordance with the legal provisions.

At the time of preparing this Document, the Company does not use interest rate swaps. An interest rate swap is an agreement to exchange the cash flows generated by the interest rate, calculated at the value of the notional principal, at specific intervals (payment dates) during the life of the agreement.

At the time of preparing this Document, the Company does not use total return swaps. Total return swaps are agreements under which one party (total return payer) transfers the total economic performance of the reference obligation to the other party (total return receiver). The AIF exposure is the market value of the equivalent reference assets which have an incidence on the economic performance of the swap.

At the time of preparing this Document, the Company does not use credit default swaps. Credit default swaps are credit financial derivative instruments which provide protection to the buyer, usually consisting in full recovery, in case the reference entity defaults or suffers a credit event. In exchange, the C.D.S. seller receives from the buyer a regular fee, called the spread. For the protection seller, the exposure is the higher of the market value of the underlying reference assets or the notional value of the credit default swap. For the protection buyer, the exposure is the market value of the underlying reference asset.

At the time of preparing this Document, the Company does not use the Portfolio management practice, which aims to reduce the duration risks, by combining an investment in a long-term bond with an interest rate swap, or to reduce the duration of an AIF bond portfolio by concluding a short position on bond future contracts representative for the interest rate risk of the portfolio (duration hedging), should be considered as a hedging arrangement, provided that it complies with the hedging criteria.

3.15.2. Examples of strategies considered hedging arrangements

Mitigation of the risk of a long position on a diversified share portfolio with a short position on a futures contract and/or on an equivalent option portfolio, a case in which their returns are strongly correlated, and the short position and/or the option portfolio allow the incontestable mitigation of the general market risk.

4. TRANSILVANIA INVESTMENTS ALLIANCE POLICY REGARDING THE INTEGRATION OF SUSTAINABILITY RISKS

Regulation (EU) no. 2019/2088 sets forth rules for the participants in the financial market and the financial consultants regarding the transparency concerning the sustainability related disclosures in the financial services sector, consideration of the adverse effects on sustainability in their activities and provision of information on sustainability with regard to the financial products.

Transilvania Investments Alliance S.A. (hereinafter referred to as the Company) is an Alternative Investment Fund Manager (AIFM), authorized by the F.S.A., according to the provisions of Law no. 74/2015 on alternative investment fund managers, based on the F.S.A. Authorization no. 40/15.02.2018.

The Company is authorized as a self-managed diversified closed-end Retail Investor Alternative Investment Fund (RIAIF), set up as an investment company, according to the provisions of Law no. 243/2019 on the regulation of alternative investment funds.

According to the 2020-2024 Investment Policy Statement (I.P.S.), approved by the shareholders, the Company aims to **gradually include 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 Transilvania Investments Alliance 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 Transilvania Investments Alliance S.A. 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. The financial product to which this document refers to (the Fund) does not currently promote environmental or social characteristics, or a combination thereof.

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.

Radu-Claudiu ROȘCA
Executive President

This version of the document is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.