

INFORMATION CONCERNING DISCLOSURE AND TRANSPARENCY RULES, ACCORDING TO THE PROVISIONS OF FSA REGULATION NO. 2/2016

1. The SAI Erste Asset Management S.A. organisational structure

The organisational structure of SAI Erste Asset Management S.A. (hereinafter referred to as “S.A.I.” or “SAI Erste”) is in line with the provisions of the applicable capital market laws and is an integral part of the company’s Corporate Structure and Governance Guidelines (Annex 1 hereto).

2. Management structure

a) Supervisory Board

First name and surname ***Position***

Heinz Bednar Chairman

Laura Hexan Member

Cristina Reichmann Independent member

b) Management Board

First name and surname ***Position***

Horia Braun Erdei Chairman/Chief Executive
Officer

Alina Matei Executive Officer

Mihnea Barbulescu Executive Officer

3. The main features of the company’s governance system

SAI Erste has implemented the corporate governance principles set out in FSA Regulation no. 2/2016 as follows:

The Articles of Association of SAI Erste set out the key responsibilities of the Supervisory Board with respect to implementing and observing the principles of corporate governance.

At the same time, the company’s internal policies and/or procedures also define the SAI Erste corporate governance structures, as well as the functions, duties and responsibilities of the Supervisory Board and the Management Board (Corporate Structure and Governance Guidelines and the Internal Regulations).

The 2019 annual reports for the investment funds managed by SAI Erste, which were submitted in 2020, are accompanied by an explanatory statement detailing the relevant corporate governance events in the financial year.

SAI Erste has also designed a communication strategy for its stakeholders in order to ensure adequate information disclosure.

The balance between executive and non-executive officers is given by the non-executive membership of the Supervisory Board (with supervisory duties) in conjunction with the executive membership of the Management Board, which has an exclusively executive function. The company's decision-making process is not influenced by any individual person or small group of persons.

In 2020, the company's Supervisory Board convened once every three months in order to oversee the business of SAI Erste, in accordance with the legal provisions in force. The duties of the Supervisory Board were discharged with the support of the following advisory committees: the Audit Committee and the Remuneration and Nomination Committee, which issued recommendations on various topics that were the subject of the Supervisory Board's decision-making process.

The company's Supervisory Board has also reviewed on a half-yearly and annual basis the effectiveness of the SAI Erste compliance system and the applicable updating process, to ensure that all the SAI Erste risks are thoroughly managed.

In terms of remuneration, the company's Supervisory Board has made sure that the SAI Erste remuneration policies are consistent and an effective risk management process is in place. The SAI Erste remuneration policy is part of the company's internal regulations that are aimed at implementing and observing the principles of corporate governance.

The company's Supervisory Board, together with the Management Board, when appropriate, have reviewed on a regular basis the SAI Erste financial reporting policies as well as the existing compliance and risk management systems.

The SAI Erste internal policies/procedures include provisions concerning the selection of candidates for executive/senior management positions, the appointment of new members or the renewal of current mandates. At the same time, SAI Erste has also made sure that senior managers receive appropriate professional training for the effective carrying out of their duties.

In 2020, the SAI Erste key functions were determined in accordance with the SAI Erste organisational structure and the applicable regulations.

According to the Erste Asset Management GmbH Group Standard, which is included in the internal procedures implemented at group level, the Audit Committee will make recommendations to the Supervisory Board, when appropriate, with regard to the selection, appointment and replacement of the financial auditor, including the terms and conditions for the remuneration thereof.

SAI Erste also has in place clear business continuity and contingency plans, which have been updated in 2020.

4. Conclusions regarding the company's financial position, based on the 2020 audited financial statements

In the 2020 financial year, SAI Erste reported earnings before tax in the amount of RON 4,808,982.61 and net earnings in the amount of RON 4,175,888.61.

As of 31 December 2020, the company's assets under management amounted to RON 5,738,041,668.88, as determined in accordance with FSA regulations.

As of 31.12.2020, SAI Erste had a market share of 23.78%, determined taking into account the value of all the assets managed by the members of the Romanian Fund Managers Association (A.A.F.) and ranked 1st (first) among asset management companies in Romania.

5. The main features of the formal framework concerning the implementation of financial reporting and prudential reporting principles and practices

SAI Erste operates in accordance with the provisions laid down in the Prospectuses of its managed investment funds or its Articles of Association for the purposes of its own financial reporting.

The company's accounting policies have been designed so that the annual financial statements of SAI Erste and the investment funds under management provide information that is:

- a) easily comprehensible for users;
- b) relevant for the decision-making process;
- c) a true picture of the company's figures and financial position,
- d) comparable, for time comparison with other financial statements.

The company's financial statements are prepared on a going concern basis in the predictable future.

The financial statements of SAI Erste and the investment funds under management are prepared in line with the International Financial Reporting Standard (IFRS) and the FSA regulations in force.

The responsibilities of the SAI Erste structures involved in the implementation of financial reporting principles and practices also include prudential reporting requirements as follows:

a) The Supervisory Board is responsible for the establishment of an adequate control framework regarding the enforcement of specific legal requirements concerning reporting to FSA and the review of the information concerning certain specific SAI Erste actions that is submitted to the FSA upon request.

b) The Audit Committee:

- oversees the company's financial reporting process and submits recommendations or proposals aimed at ensuring the integrity thereof;
- oversees the effectiveness of the company's internal control, internal audit and risk management systems as well as the effectiveness of the internal audit system in terms of financial reporting review, fully observing the independence thereof;

- oversees the auditing of the company's standalone annual financial statements, particularly in terms of the actual auditing process, taking into account the findings and conclusions of the competent authority, in accordance with the applicable regulations in force;
- reviews and oversees the independence of the company's external auditor, particularly in terms of the additional services provided to the company;
- c) **The Compliance Unit** is responsible of overseeing and reviewing on a regular basis the enforcement of the legal provisions that are relevant for the business of SAI Erste as well as of the company's internal rules and procedures, while also keeping record of all deficiencies found;
- d) **The Internal Audit** reviews compliance with the provisions laid down in the applicable legal framework and the internal Regulations, as well as the implementation of the company's policies and procedures, while also making recommendations, when appropriate;
- e) **The Risk Management Unit** is responsible for overseeing the risks associated with the business conducted by SAI Erste.

6. The main features of the SAI Erste risk management system

The objective of the SAI Erste risk management system is to mitigate all the risks that are inherent to investment portfolio management.

Risk is inherent to the business of SAI Erste, but it is adequately managed through an ongoing identification, measurement and monitoring process. Risk management is as important as any other day-to-day business. Capital market risks are mainly considered, including market risk (volatility), credit risk and liquidity risk. Risk monitoring and mitigation actions are in place for operational risk as well, as this is mainly influenced by external factors such as employees, structures or systems.

The risk management principles implemented by SAI Erste include the following: the separation of duties in various departments, an independent internal compliance and risk management function, the drafting and implementation of clear internal policies and procedures approved by the Management Board and the involvement of the entire SAI Erste personnel in the company risk management process.

SAI Erste invests mainly in low risk bank deposits and shares in open-end investment funds. Investments in medium or high risk financial instruments are possible subject to approval by the Management Board. As a general rule, SAI Erste does not invest directly in equities.

Risk is inherent to the business of SAI Erste, but it is managed through risk management policies and procedures that are prepared and implemented in accordance with the relevant best practices.

The main purpose of the risk management process is to make sure that risks are identified, measured and monitored in an appropriate and effective manner, while also taking immediate and appropriate remedial actions when deficiencies are found.

The risk management principles observed by SAI Erste are as follows:

- the implementation of internal policies and procedures approved by the SAI Erste Supervisory Board and the **SAI Erste** Management Board;
- the implementation of independent internal audit, internal compliance and risk management functions;
- the involvement of the entire SAI Erste personnel in the risk management process and the established of clear responsibilities with regard to the process;
- the separation of duties in various departments.

The SAI Erste investment policy focuses on maintaining low risk levels and excludes speculative investments. Investments are made subject to approval by the SAI Erste Management Board. SAI Erste invests its assets in bank deposits and bond and/or absolute return funds. Deposits are made with institutions with high credit ratings and sound financial position, so the associated credit risk is low. SAI Erste is not involved in securities (equities/bonds) trading.

7. Excerpt from the conclusions of the 2020 risk management system effectiveness review

- The Internal Procedures of the Risk Management Unit were revised and updated in 2020.
- A stress test was performed in order to assess the sensitivity of fund portfolios to various market shocks. Market risk factors such as interest rates, exchange rates, stock prices and volatility were stress tested in order to analyse the impact on each individual portfolio, by comparing the value of the portfolios in the various test scenarios against net asset values on reference date.

The test scenarios considered the complexity of the company's business (the management of both collective and individual investment portfolios).

- A test was performed concerning the migration of the core app used by SAI Erste from the main protected site to the recovery site in the event disaster, in order to validate the migration process, to ensure business continuity in terms of asset management and daily net asset calculation. The outcomes of the migration test were documented by the test team and no errors were reported.
- No exceedances of investment limits were reported in the portfolios under management. The very few instances of exceeding the limits established by the legal regulations in force were passive exceedances of investment limits and were immediately corrected.
- No significant operational risk events or associated losses were reported.