



— LION CAPITAL —

POLICY

ON INTEGRATING

ESG RISKS IN THE

INVESTMENT

DECISION-MAKING PROCESS

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1. GENERAL ASPECTS

Lion Capital S.A., as a participant in the financial market, recognizes that global sustainability challenges, including climate change, resource scarcity, and human rights, are critically important and must be addressed. In this regard, to create long-term value for our shareholders, we implement comprehensive risk management policies that encompass environmental and social risks.

Sustainability risks can have a negative impact across all areas of activity and types of risk; real estate or assets provided as collateral or covered by insurance may be damaged or even destroyed. The time horizon and scale of sustainability risks are highly uncertain, and the historical data available for assessing the impact of future sustainability risks is insufficient.

Sustainability risks may become material and exert pressure on asset values in the short, medium, and long term. Physical and transition risks are interdependent: the greater the anticipated global reduction in greenhouse gas emissions, the more severe the physical consequences of climate change are likely to be.

2. REFERENCE DOCUMENTS

The regulations applicable to financial market participants regarding transparency in the integration of sustainability-related risks, the consideration of adverse sustainability impacts in their activities, and the provision of sustainability-related information on financial products are: **Regulation (EU) no 2088/2019 on sustainability-related disclosures in the financial services sector** and **Regulation (EU) no. 852/2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088**.

As of August 1, 2022, **Delegated Regulation (EU) No 1255/2021**, amending **Delegated Regulation (EU) no. 231/2013** regarding sustainability risks and sustainability factors to be considered by alternative investment fund managers, has entered into force.

3. SUSTAINABILITY RISK MANAGEMENT

The concept of sustainable investing is grounded in the principles of sustainability. This refers to the idea of producing goods and services in a way that does not consume irreplaceable resources and does not harm the environment. The term “sustainable” or “sustainability” can also apply to other areas of the economy, such as the financial or investment sector.

Sustainability is built on three pillars: (i) economy; (ii) environment; and (iii) society.

“Sustainable” investments refer to how capital is managed and allocated. To be considered sustainable, investments are directed toward preventing and mitigating climate change, protecting the environment, and promoting socially responsible activities.

Sustainability risks are environmental, social, or governance events or conditions that, if they occur, have or may have a material adverse impact on assets, financial position, revenues, or the reputation of an issuer.

3.1. Integration of Sustainability Risk at the Investment Decision Level

The integration of sustainability risk is defined as “the explicit and systematic inclusion of ESG factors in investment analysis and investment decisions”, a holistic approach to investment analysis in which all relevant factors, both traditional financial and ESG-related, are identified and assessed to inform an investment decision.

The Company’s objective regarding sustainability risk is to manage a portfolio of financial instruments for which sustainability risk factors (ESG) have been incorporated into the investment process, aligned with the objectives set out by the European Green Deal to guide capital flows toward sustainable investments.

The Company's strategy for integrating sustainability risk into the investment decision-making process focuses on sustainable development goals, and the issuers' actions and bonds for which there is exposure, or investment is intended, are subject to a sustainability assessment based on ESG criteria.

In its investment decision-making process, Lion Capital assesses the sustainability risk of issuers against the applied criteria to determine whether an economic activity qualifies as sustainable and contributes substantially to one or more sustainability objectives.

Lion Capital considers the following criteria when analysing the impact of sustainability factors on portfolio investments:

Economic activities pursuing environmental sustainability objectives:

(a) mitigation of climate change; (b) adaptation to climate change; (c) sustainable use and protection of water and marine resources; (d) transition to a circular economy; (e) pollution prevention and control; (f) protection and restoration of biodiversity and ecosystems.

Economic activities pursuing social sustainability objectives:

(a) compliance with recognized labour standards, occupational safety, and health protection; (b) fair remuneration, proper working conditions, diversity, and opportunities for training and development; (c) inclusive projects and consideration of the interests of communities and social minorities; (d) client responsibility (responsible marketing, product quality, data privacy).

Economic activities pursuing good governance practices:

(a) robust management structures (tax integrity, anti-corruption measures, information transparency, data protection, etc.); (b) safeguards for employee rights; (c) remuneration of relevant personnel based on sustainability criteria.

The integration of sustainability-related factors into the decision-making process is based on **three components**:

1. Research:

- *Information gathering*: Analysts collect financial and ESG information from multiple sources (e.g., company reports and third-party research reports, company questionnaires, etc.);
- *Materiality analysis*: investment officers review relevant financial and ESG information to identify significant financial and ESG factors affecting a company, sector, and/or country;
- *Investment monitoring*: Investment officers collaborate with companies/issuers to manage key financial and ESG factors and monitor the outcomes of engagement and/or voting activities.

2. Investment and portfolio analysis: Analysts assess the impact of significant financial and ESG factors on a company's, sector's, country's, and/or portfolio's corporate and investment performance. This may lead to adjustments in forecasted financial data, valuation model variables, valuation multiples, projected financial ratios, internal credit assessments, and/or portfolio weightings.

3. Investment decision: Identified and evaluated key financial and ESG factors are considered when deciding whether to increase, maintain, decrease, or refrain from investing.

Integration of ESG does not mean that investments in certain sectors, countries, or companies are prohibited; portfolio returns are sacrificed to implement ESG techniques; irrelevant ESG factors influence investment decisions; or financial factors are ignored or require major changes to the investment policy.

Lion Capital is confident that investing in companies that perform well both financially and in ESG terms will provide long-term competitive advantages, lower risks of decline, and enhanced reputation. Strong corporate governance allows for higher profits, lower costs, and increased innovation. It also reduces volatility by mitigating financial risks and lowering financing costs.

Companies adhering to sustainable development principles and social and environmental standards are better positioned to deliver high-quality products and services, which, in turn, enhance customer loyalty and employee motivation.

3.2. Integration of Sustainability Risk into the Risk Management System

The integration of sustainability risk assessment and management into the risk management system is part of both the pre-investment due diligence process and the investment monitoring process, and it is continuously aligned with the Fund's strategy and investment objectives regarding portfolio allocation.

Sustainability risks can have a material impact on other existing investment-level risks and may contribute to their materialization: i) credit/counterparty risk; ii) market risk; iii) liquidity risk; iv) operational risk; v) strategic risk; and vi) reputational risk.

The occurrence or materialization of a sustainability risk factor in an unanticipated manner can negatively affect the value of an investment and, consequently, the total value of the assets under management, with a negative impact on the market price of LION shares traded on the Bucharest Stock Exchange (BVB).

Measures to mitigate the manifestation of sustainability risk:

- Identification of sustainability risk events and sources;
- Estimation of their frequency and impact on investment objectives;
- Monitoring compliance with limits set out in the investment policy and risk management policy;
- Implementation of various exit strategies adapted and aligned with a range of internal and external factors;
- Reporting the results of sustainability risk monitoring;
- Allocation of responsibilities for managing sustainability risks within the Company.

The assessment of sustainability risk for the investment portfolio is carried out qualitatively at the issuer level, based on the evaluation criteria set out in the methodology, while at the portfolio aggregate level, the proportion of issuers whose activities qualify as sustainable is calculated relative to the total assets under management.

Within the Company, the recipients of reports on the manifestation of sustainability risk are senior management, portfolio management functions, and key functions.

Lion Capital's remuneration policy promotes effective and robust risk management, without the compensation structure encouraging the taking of excessive risks relative to sustainability risks, and it is linked to risk-adjusted performance.

Governance, responsibilities, and conflicts of interest

The ESG policy takes into account the adopted investment strategy, responsible governance, and the organization of the business. The Board of Directors has overall responsibility for the business and risk strategy, for communicating and implementing it within the entity, and for maintaining a business structure appropriate to its responsibilities, processes, resources, and risk management functions.

Senior management ensures that policies for integrating ESG risks into investment decision-making and the risk management system are implemented appropriately and effectively and periodically verifies compliance with approved risk limits. It is capable of assessing risks and taking the necessary measures to mitigate them.

Responsibility for integrating ESG factors into the investment process lies with the first line of defence for risk, namely the operational units that analyse, evaluate, and propose investment management actions.

The central focus of the ESG Policy is risk management. It addresses the processes of identifying, managing, and controlling risks, along with methods and procedures specifically related to including sustainability risks in the investment decision-making process.

In operationalizing ESG at the investment decision level, the risk management function is functionally and hierarchically separate from other tasks that could create conflicts, ensuring that portfolio management personnel do not exert undue influence over the outcomes of risk analyses. Periodic reports are communicated fairly to all relevant parties.

3.3. Interaction of the ESG Policy with Other Procedures

The ESG policy at the investment decision level is aligned with and interacts with the following procedures related to investment activities, portfolio management, and risk management:

- Pre-investment due diligence procedure, which outlines the minimum criteria to be considered when issuing a risk opinion;
- Procedure for investing in fixed-income instruments and financial assets (excluding money market instruments), which covers the transaction execution stages and the monitoring of investment performance;
- Procedure for analysing and executing equity investments, which specifies the elements to be considered in the preliminary analysis of investment opportunities, including risk assessment;
- Procedure for monitoring issuers in the portfolio, including the identification of potential risks related to their activities;
- Engagement policy and principles for exercising voting rights for the portfolio under management.

3.4. Periodic Review

Lion Capital's management structure, through the Board of Directors (BoD) and the Audit Committee, approves and periodically reviews both the risk strategy and the significant risk management policy.

To monitor risks effectively, the Company evaluates the risk management systems at an appropriate frequency, at least annually, and adapts them as necessary.

The Risk Management Department periodically analyses and reviews the adequacy of the ESG Policy, in accordance with the criteria set out in the Significant Risk Management Policy, and proposes amendments if needed.

Escalation

Circumstances requiring escalation, including cases where risk indicator limits are exceeded, are similar to those provided in the Significant Risk Management Policy.

4. SUSTAINABILITY TRANSPARENCY

Lion Capital adheres to the principles of decision-making transparency applicable to financial market participants, regarding the integration of sustainability-related risks, the consideration of adverse sustainability impacts in their activities, and the provision of sustainability-related information on financial products.

Sustainability information is available on the Company's website in the ESG section, at the address <https://www.lion-capital.ro/en/corporate-governance/esg-en/>.

The **Board's Report** includes the information necessary to understand the impact on sustainability aspects and how these aspects affect the company's development, performance, and position.

This Policy on the integration of sustainability risks in the investment decision-making process (*ESG Policy*) complements The Significant Risk Management Policy of Lion Capital and it is supplemented by the *Methodology for integrating sustainability risks into the investment decision-making process*.

The ESG policy (prepared in Romanian) was approved by the Board of Directors by Decision no. 3 of October 27, 2025.

Chairman, CEO
Bogdan-Alexandru Drăgoi