

## Main characteristics of the internal control and risk management systems of EVERGENT Investments Group

### 1. Permanent risk management function

**EVERGENT Investments sets and maintains the permanent risk management function that is separate and independent from other functions and activities.**

Structurally and hierarchically the Risk Management Department is subordinated to the Board of Directors.

The permanent risk management function is exercised independently, from an hierarchical and functional point of view, from that of portfolio management and other functional departments, by adopting organizational measures to prevent conflicts of interest, as expressly stipulated in the company's internal regulations.

The permanent risk management function has the authority necessary and access to all relevant information necessary to fulfill its obligations and responsibilities.

The personnel within the Risk Management department have the knowledge, skills and professional experience necessary to exercise the function, as well as a good reputation, honesty and integrity. It also fulfills the eligibility conditions established by the FSA, being authorized and registered in the Public Register of the FSA.

In case that there are several persons authorized as risk managers, the detailed responsibilities of each person will be established. In the absence of one of the persons, the duties and responsibilities will be automatically taken over by another authorized person.

If the company no longer has a person authorized as a risk manager or in case of its temporary unavailability, one of the company's directors or another employee who has the appropriate knowledge and professional experience will temporarily perform this function until this position will be reoccupied. The manager in charge of coordinating and supervising the portfolio management function within EVERGENT Investments cannot temporarily take over the attributions of the risk management function. The person temporarily performing this function is notified to the FSA.

The main objective of the department is risk management and control, abidance by the high quality standards imposed by the principles of operational and investment risks management, drafting of attention raising mechanisms in case the alert limits regarding manifestation are reached, risk management through their identification, measurement and management by suggesting and monitoring immediate corrective measures.

The department drafts the Risk Management Policy of EVERGENT Investments, where the risk profile that the company finds acceptable is defined with reference to the relevant risks identified in the company's activity. In order to manage relevant identified risks, the Risk Management department develops work procedures and methodologies.

The department is specialized and has the following attributions and responsibilities:

- a) drafting and implementation of efficient risk management policies, procedures and methodologies, as well as any modification of these;
- b) identification, measurement, administration and permanent monitoring of all risks relevant to the investment policy of EVERGENT Investments and to which the company is or may be exposed.

- c) making sure that the risk profile of EVERGENT Investments as notified to investors abides by the risk limits set for the coverage of at least the following risks: market risk, issuer, liquidity and operational risks.
- d) identification of the risks of hiring EVERGENT Investments in the investment / divestment operations proposed by the departments with the function of portfolio management and proposing measures to prevent and reduce them, if necessary;
- e) substantiates and proposes risk limits, monitors their compliance and notifies the Board of Directors and the executive management in a timely manner of any existing or foreseeable exceedances of the established risk limits, to ensure that quick and appropriate measures can be taken;
- f) provide assistance to the Board of Directors and the executive management regarding the identification of the risk profile of EVERGENT Investments;
- g) the evaluation of the risk profile of the company according to the appetite and risk tolerance established by the Board of Directors and the timely communication to the Board of Directors and the executive management if it considers that the risk profile does not comply with the approved risk limits or that there is a significant risk that the risk profile will become inconsistent with these limits;
- h) ensure that the risk profile of EVERGENT Investments communicated to investors respects the risk limits established to cover at least market, issuer, liquidity, credit and counterparty, sustainability and operational risks;
- i) calculates monthly the exposure by the gross method and by the commitment method and determines the leverage effect, in order to fulfill the institutional reporting obligations;
- j) ensuring the classification of the assets categories of EVERGENT Investments within the legal and internal prudential limits in force, including the value of the assets in the relevant threshold and the compliance with the own funds and additional own funds requirements and the timely notification to the Board of Directors and the executive management. with any existing or foreseeable exceedances thereof, to ensure that prompt and appropriate action can be taken;
- k) classification of EVERGENT Investments asset categories by risk classes, from the point of view of the degree of liquidity of the assets;
- l) analyzing the plans for ensuring the continuity of the activity and for the emergency situations of the company;
- m) performing crisis simulations, once a year and ad-hoc, under the conditions provided in the risk procedures and ASF regulations in force;
- n) the evaluation of the way in which the structure of the variable remuneration affects the risk profile of the company;
- o) draws up quarterly risk reports to the Board of Administration regarding the risks managed;
- p) reporting to the Board of Directors and the executive management the risks identified as potentially significant in accordance with the applied procedures.
- q) analyzes the operational risks related to the performance of activities, identified in the internal risk self-assessment process and proposes measures to reduce/maintain the identified risks under control.

The risk management process is carryout out through the following stages:

1. risk identification – risks are defined in the vision of the institution, the component elements are identified and risk-generating events are described.
2. risk evaluation and measurement – for each type of risk identified with the help of quantitative and qualitative methods, using databases and pre-set risk indicators.
3. risk monitoring – risk indicators are monitored as they evolve and they are classified within the set legal and internal limits.
4. risk management and control – measures are proposed to keep risks under control in case the limits are exceeded and reports are sent to the management structure.

The activities carried out include, without being limited to: monthly/quarterly/annual analyzes and whenever necessary regarding exposures to the relevant risks: market risk, issuer risk, credit and counterparty risk, liquidity risk, sustainability risk, operational risk, inclusion in the system of prudential limits of the assets/categories of assets in the portfolio (provided in the applicable legal regulations). Also, the compartment analyzes the impact of the investments proposed by the compartments with the portfolio

management function on the assumed risk profile and on falling within the legal prudential limits, by performing simulations and proposes, if necessary, measures to keep the assumed risk under control.

For its attributions, the Risk Management department makes regular reports to the Directors and the Board of Directors. Quarterly risk reports and half-yearly reports on the efficiency and effectiveness of the risk management system are subject to the approval of the Board of Directors, with prior approval by the Audit Committee. The reports on the individual contribution of the assets to each type of relevant risk, as well as those on the inclusion of the assets in the system of prudential limits, are sent for information to the departments/structures that perform the function of managing the portfolio.

## 2. Permanent function of checking the compliance

### **EVERGENT Investments sets up and maintains a permanent and efficient function for compliance verification, which is independent.**

Structurally and hierarchically the Compliance Department is subordinated to the Board of Directors. Each individual employed in the Compliance Department is subjected to FSA approval and is entered in the public FSA Register.

In case the company submits several individuals with compliance responsibilities for approval, the approval request is accompanied by the detailed responsibilities of each individual employed by the Compliance Department.

In case one of the individuals with internal control responsibilities is absent, his/her attributions and responsibilities will be automatically taken over by another authorized individual.

If EVERGENT Investments no longer has a person authorized as a compliance officer or in the event of its temporary unavailability, one of the members of the company's compliance department, if any, or one of the company's managers or another employee who has the knowledge and adequate professional experience, if the compartment consists of a single member, will temporarily take over the duties of the unavailable person, for a maximum period of 3 months in a calendar year.

In order to allow the individual(s) appointed as compliance officer(s) to properly fulfill their responsibilities in a correct and independent manner EVERGENT Investments must make sure that the following requirements are met:

- a) the person/persons has /have the authority, resources and experience necessary, as well access to all relevant information;
- b) the individual(s) who carries/carry out the compliance verification function are not involved in the delivery or carrying out of the services he/she monitors;
- c) the individual(s) bear(s) the responsibility of abiding by the responsibilities of the compliance function for any reporting regarding regulations in force, where it will be expressly specified if proper measures have been taken in order to remedy possible deficiencies;
- d) on setting the remuneration of individuals, the following must be taken into consideration: the remuneration level must allow EVERGENT Investments to employ qualified and experienced staff; the individuals' objectivity must not be affected by the remuneration setting method; variable remuneration must be based on objectives that are specific for the position and must not be set exclusively based on performance criteria at AIFM level; remuneration is directly supervised by the Appointing-Remuneration Committee;
- e) individuals are evaluated to make sure they fulfill and abide by the competence and professional experience requirements during the entire time they carry out their activity; integrity and good reputation and governance in compliance with applicable legal provisions.

#### *Attributions and Responsibilities:*

- a) it periodically monitors and evaluates the adequacy and efficiency of the measures, policies and procedures set in compliance with applicable regulations, as well as the actions carried out in order to remedy deficiencies regarding the company's meeting its obligations.

- b) it regularly monitors and verifies the application of legal provisions applicable for EVERGENT Investments's activity, of internal regulations and procedures and acts according to its competencies in order to prevent and suggest measures to remedy any law infringement situations, or infringement of applicable regulations for the capital market, or internal regulations and procedures of EVERGENT Investments, by EVERGENT Investments or its employees; follows-up the implementation of suggestions and recommendations;
- c) it offers advice and assistance for relevant individuals responsible for the carrying out of activities so that EVERGENT Investments abides by its obligations based on incidental capital market legislation.
- d) it makes sure that the reports that EVERGENT Investments must send to FSA and capital market entities are sent within the deadline foreseen by regulations in force;
- e) it analyses and approves the documents sent by EVERGENT Investments to the FSA in order to obtain the authorizations foreseen by FSA regulations;
- f) it analyses and approves informative materials/advertising materials of EVERGENT Investments;
- g) analyzes and provides recommendations on documents drafted by EVERGENT Investments for compliance with the minimum content of internal documents and adherence to the regulatory framework for internal decision-making
- h) it approves the development of new strategies, investment policies, relevant organizational changes as well as investments on new markets and in new products;
- i) it verifies the compliance with prudential regulations;
- j) it provides the notifications of EVERGENT Investments and its employees regarding the legal regimen applicable to capital market, concerning approved norms and legislative projects that present interest for the company's activity, to make proposals/recommendations/ observations, if the case be;
- k) it is responsible for the supervision of the solving and management of complaints regarding EVERGENT Investments's activity on the capital market, for the keeping of the unique complaints record and periodical reporting to FSA about the status of the registered complaints.  
Through the decision of the CEO, a permanent committee is setup within the company to analyze all shareholders' complaints and suggest, depending on the case, measures to be adopted by the management to remedy the situations identified; the communication of the answer to the applicant is made abiding by the legal deadline.
- l) it creates a process for the identification, registration, monitoring, prevention and disclosing of conflict of interests; it manages the internal procedure regarding *Conflict of Interest*.

*Permanent and periodical control:*

1. The drafting of the annual investigation program/plan, abiding by the following principles/criteria:
  - a) it includes control objective as per applicable legal regulations and represents a part of the integrated control process within EVERGENT Investments (compliance, internal audit and risk management);
  - b) it is drafted based on the analysis of the risks that can be incurred in EVERGENT Investments's activities, given the "Register of identified Operational Risks that might affect EVERGENT Investments's activity" drawn up by the Risk Management Department;
  - c) the activities carried out for verifying the compliance of the company's activities with applicable legal regulations, policy and procedures of EVERGENT Investments, are periodical and permanent control activities;
  - d) the main component of the activity is the permanent control, pro-active in nature, carried out through the continuous supervision and monitoring of the activities that fall under internal control competence, in order to prevent the occurrence of legal and internal non-compliance.
2. Carrying out investigations and submitting reports to the management structure:
  - a) it presents a report regarding the results of the investigations included in the investigation plan to the Board of Directors of EVERGENT Investments, for discussion and approval; the report is firstly approved by the Audit Committee;

- b) reports to the Board of Directors and directors, the cases when the legal regimen applicable to the capital market, internal regulations and work procedures have been infringed, for the urgent notification of FSA and communication of the measures adopted to remedy identified situations.
- c) regularly drafts, at least once a year, reports to the executive management regarding compliance issues, in which mentions should be made whether the proper measures to remedy possible deficiencies have been taken.
- d) the annual report and investigations plan for the following year, approved by the Board of Directors are sent to FSA, if the law foresees so.

### 3. Permanent function of Internal Audit

**EVERGENT Investments sets and maintains the permanent internal audit function that is separate and independent from other functions and activities of EVERGENT Investments.**

The internal audit department is subordinated to the Board of Directors.

For the purpose of guiding the activity, the internal audit department develops policies and procedures that are aligned to the requirements of the International Standards for professional practice of internal audit.

#### **Attributions and Responsibilities:**

- a) it helps the company, both as a whole and its structures, through the issue of opinions and recommendations;
- b) it assists the company in risk management;
- c) it contributes to the improvement of risk management, control and governance processes;
- d) it evaluates the adequacy and efficiency of controls regarding governance, operations and systems of EVERGENT Investments;
- e) it drafts and implements the policies and procedures to carry out internal audit activity, as well as any modification of these;
- f) it carries out risk evaluations for the activities carried out by EVERGENT Investments, at least once a year;
- g) it sets, implements and maintains an audit plan in order to examine and evaluate the proper nature and efficiency of internal control systems, mechanisms and procedures of EVERGENT Investments;
- h) it submits the Audit Committee and Board of Directors the plan regarding audit activity and necessary resources, including significant modifications occurred;
- i) it carries out the missions included in the annual plan;
- j) it issues recommendation based on the result of the carried out activity;
- k) at the request of the Audit Committee or directors, it carried out ad-hoc missions or missions of an exceptional nature (not included in the annual internal audit plan);
- l) it verifies it recommendations have been respected;
- m) it reports at the end of each mission regarding internal audit issues and the adequacy of the measures adopted to remedy possible deficiencies;
- n) it records any relevant information that supports the conclusions and results of the engagement;
- o) it coordinates the activity of financial auditor, in order to make sure that audit objectives are met and in order to minimize overlapping;
- p) periodically reports to the Audit Committee and the board of Directors on the purpose of the audit activity, authority, responsibility and functioning of the internal audit activity, based on the pre-set plan;
- q) it verifies if the management has accepted a residual risk level that cannot be acceptable for EVERGENT Investments and notifies to the Board of Directors the cases when no decision has been made regarding residual risk, in order to solve them;
- r) carries out formalized counseling missions (included in the Internal Audit Plan), informal, exceptional or in cases of emergency, at the express request of the Board of Directors or Executive Management.

## **The internal audit carries out assurance and counseling missions.**

**The assurance mission** offers an independent evaluation of the governance, risk management and control processes within EVERGENT Investments. The assurance missions are carried out by going through the following stages: planning the internal audit activity, preparation of the internal audit mission, on-the-spot intervention, internal audit report, follow-up of recommendations and quality analysis.

The activities carried out by the internal audit are as follows:

1. **planning the internal audit activity:** the drafting and approval of the multiannual internal audit plan and annual internal audit plan, in compliance with the International Standards for internal audit professional practice and national regulations.
2. **preparing the internal audit mission:**
  - ✓ notification of the leader of the activity that is to be audited that the internal audit mission is to start;
  - ✓ collection and processing of information regarding the audited structure, activity, program/project or operations, in order to facilitate the carrying out of procedure regarding risk analysis and verification;
  - ✓ identification and analysis of specific risks and internal control evaluation for the audited process/activity/structure, so that the audit effort be oriented towards the most risky areas ;
  - ✓ drafting the audit mission program in order to insure the proper execution of the internal audit mission, to cover all objectives to be audited and their associated risks;
  - ✓ meeting with the representatives of the audited structure to present the members of the internal audit team, purpose of the mission, objectives set for the internal audit mission, as well as for setting a meetings calendar.
3. **on-the-spot intervention:**
  - ✓ collection of audit samples, for the purpose of the audit team's getting an opinion about the strong and weak points of the audited process/activity/organizational structure and supply audit samples based on which ascertainments, recommendations and general conclusions will be made;
  - ✓ ascertainment and reporting of irregularities identified
4. **drafting the internal audit report:**
  - ✓ the drafting of the internal audit report project, submitting the internal audit report project to the audited structure for analysis and the issue of its standpoint regarding the auditors' conclusions and recommendations;
  - ✓ analysis of the observations made by the audited structure for the internal audit report project;
  - ✓ analysis, acceptance and approval of the internal audit report and the action plan to implement recommendations.
5. **follow-up of recommendations:** making sure that the recommendations made following the internal audit missions are properly implemented within the deadlines set and evaluation of consequences in case they are not applied.
6. **analysis of the internal audit quality:** for the purpose of offering a reasonable insurance that internal audit abides by its Chart, that it functions efficiently and contributes to added value and improvement of the company's operations and of making sure that all objectives of the internal audit mission have been achieved, in quality conditions.

**Counseling mission** are consultative and connected activities that have the purpose of improving governance processes, risk management and control of EVERGENT Investments, without the internal auditors taking on the management's responsibility.

Counseling missions can be:

- 1) **formal counseling missions** - are usually included in the annual internal audit plan, and the terms and conditions are agreed with the applicant. Procedurally, these missions are usually performed as the assurance mission;
- 2) **informal counseling missions** - are activities or services, such as:

- participation in interdepartmental working groups, committees or other bodies of this kind, with temporary activity, participation in projects (during the life cycle of the project) or in ad hoc meetings and working meetings;
  - providing facilitation and training services in the field of internal control and risk management;
  - the usual exchanges of specific information with other organizational structures within the company, group, industry, etc .;
- 3) **special counseling missions** - are special services performed by the internal audit within large institutional projects (eg consulting for outsourcing operations or prior to restructuring the organization's processes, participation in teams of experts, set up for the conversion of operational systems, etc.).

In certain circumstances, based on the cost-benefit analysis, the internal audit may decide to perform mixed audit missions, which incorporate elements from both the assurance mission and the advisory mission, in a consolidated, unitary approach.

Also, the internal audit may consider as appropriate the performance of missions, in which to distinguish between the "assurance" and the "counseling" component.