RISK MANAGEMENT POLICY
IN EVERGENT Investments S.A.

Drive for performance

RISK MANAGEMENT POLICY IN EVERGENT Investments S.A.

Law 74/2015 on the managers of alternative investment funds

Art. 15. - (1) AIFMs shall functionally and hierarchically separate the functions of risk management from the operating units, including from the functions of portfolio management. The functional and hierarchical separation of the functions of risk management shall be reviewed by the FSA in compliance with the principle of proportionality, on the understanding that the AIFM shall, in any event, be able to demonstrate that specific safeguards against conflicts of interest allow for the independent performance of risk management activities and that the risk management process satisfies the requirements of this law and is constantly effective.

(2) AIFMs shall implement adequate risk management systems to properly identify, evaluate, manage and monitor all risks relevant to each AIF's investment strategy and to with each AIF is or may be exposed, in compliance with the provisions of articles 30-37 of EU Regulation no. 231/2013. In this respect, AIFMs should not be based exclusively or mechanically on credit ratings issued by rating agencies as defined under article 3, paragraph (1), item (b) of Regulation (EC) no. 1.060/2009 of the European Parliament and of the Council of September 16, 2009, on credit rating agencies, to assess the creditworthiness of the assets of AIFs.

The AIFM shall review the risk management systems with appropriate frequency, at least once a year, and adapt them whenever necessary, in compliance with the provisions of European Union Regulation no. 231/2013 to supplement Directive 2011/61/EU of the European Parliament and Council regarding the waivers, general operating conditions, storage, leverage effect, transparency and supervision.

(EU) Regulation no. 231/2013 supplementing Directive 2011/61/EU of the European Parliament and Council with respect to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

Delegated Regulation (EU) no. 1255/2021 amending Delegated Regulation (EU) no. 231/2013 with respect to the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers

Article 40 Risk Management Policy

(1) The AIFM must set, implement and maintain an adequate and formalized risk management policy that identifies all relevant risks that the AIFs they manage are or could be subjected to.

(2) The risk management policy must include the procedures necessary to allow the AIFM to evaluate, for each AIF it manages, the exposure to market risk, liquidity risk and counterparty risk, as well as the AIF's exposure to all other relevant risks that might have a significant impact for each managed AIF, including operational risks.

(3) AIFMs shall include at least the following elements in the risk management policy:

(a) techniques, instruments and measures that allow it to comply with article 45;

(b) techniques, instruments and measures that allow the evaluation and monitoring of the AIFs liquidity risk under normal and exceptional liquidity situations, including through crisis simulations regularly carried out in compliance with article 48;

(c) assignment of responsibilities regarding risk management within the AIFM;

(d) limits set in compliance with article 44 of the present regulation and an explanation of the way in which it abides by the AIF's risk profile as notified to investors in compliance with article 23, paragraph (4), letter (c) of Directive 2011/61/EU;

(e) conditions, content, frequency and destination of reports drafted by the permanent risk management function mentioned under article 39.

(4) The risk management policy must include a description of the protection measures mentioned under article 43, especially the following aspects:

(a) the nature of potential conflicts of interest;

(b) adopted corrective measures;

(c) reasons why these measures should, according to reasonable expectations, lead to the independent exercise of the risk management function;

(d) the way in which the AIFM intends to make sure that the protection measures have constant efficiency.

(5) The risk management policy mentioned in paragraph (1) is appropriate to the nature, scale and complexity of the activities of the AIFM and the AIFs it manages.

Contents

1. GENERAL RISK MANAGEMENT FRAMEWORK

Risk management is an important component of EVERGENT Investments' management's strategic objectives during the process of maximizing profitability and minimizing risk exposure.

The Board of Directors of EVERGENT Investments understands that risk management should be carried out in a methodologically consistent environment.

The risk management system is comprised of:

- relevant elements of the organizational structure of EVERGENT Investments, with a central role for the permanent risk management function
- policies and procedures regarding the management of relevant risks for the company's investment policy
- measures, processes and techniques connected to risk measurement and management that EVERGENT Investments uses

The risk management system ensures the consistency of the control functions with the risks generated by the activities and processes that are object of the control.

The internal control system of EVERGENT Investments ensures the verification of the adequacy of risk identification, evaluation, monitoring and reporting processes and their compliance with the specific applicable law, as well as with the company's internal decisions.

In compliance with the legal framework in force, EVERGENT Investments sets, implements and maintains an adequate and formalized risk management policy which:

- identifies all relevant risks that it is or could be exposed to;
- includes the necessary procedures to allow the company to evaluate and manage the company's exposure to all relevant risks that it is or may be exposed to
- establishes quantitative and qualitative limits for all relevant risks that it is or may be exposed to

The risk management policy includes:

- adequate and efficient techniques, processes, instruments and measures for:

  - identifying, measuring, managing and monitoring the risks that the company is or could be exposed to at all times
  - abiding by the quantitative, qualitative risk limits or both, established while taking into consideration all relevant risks
- the techniques, instruments and measures that allow for the evaluation and monitoring of the company's liquidity risk under normal and exceptional liquidity conditions, including through crisis simulations carried out regularly
- assigning responsibilities with respect to risk management within the company
- quantitative, qualitative risk limits or both, established while taking into consideration all relevant risks and explaining how they abide by the company's risk profile as notified to the investors
- conditions, content, frequency and recipients of the reports drafted by the permanent risk management function
- protection measures against conflicts of interest of the risk management function

Risk Management Policy:

- covers all business, control and support functions, being adequate for the size and complexity of the company's activities;
- is adequate for the nature of the company's activities, taking into consideration that EVERGENT Investments:
  - is a closed-end investment fund that has no exercisable buy-back rights and whose shares are admitted for trading on the stock market;
- is linked to the investment policy, following the coverage of the risks specific to each asset category that EVERGENT Investments invests in, as well as to its support obligations, following the coverage of default risk.

EVERGENT Investments is classified as a closed-end AIF for retail investors, self-managed, set-up as an AIF of the investment companies type (AIFM) with a diversified investment policy.

For the purpose of meeting the institutional reporting obligations, EVERGENT Investments calculates and follows exposure through the gross method and engagement method and determines the leverage effect.

EVERGENT Investments has developed a detailed procedure for the calculation of exposure and leverage.

2. RESPONSIBILITIES REGARDING RISK MANAGEMENT

One of the main components of the risk management system is the permanent risk management function. This function holds a main role in defining the policy regarding risk management and monitoring in the company, to ensure permanent compliance of the risk level with the company's risk profile.

The responsibility of risk management is not limited to the level of risk specialists or control functions.

The operational structures, under the supervision of management positions, are first of all responsible for daily risk management, given the risk appetite and in compliance with the policies, procedures and controls of EVERGENT Investments.

The management of EVERGENT Investments examines risk-related issues through active involvement and by providing the adequate resources for the management of all relevant risks.

The general corporate governance model in the field of risk management within EVERGENT Investments is the 3 lines of risk defense model, based on separating tasks between different risk control functions:

1. **First line of defense –** is ensured by the business and support areas that have the main responsibility and importance for the actual control of risks in the daily activities carried out. The first line of defense takes on and manages operational and compliance risks corresponding to the activities carried out on a daily basis. The individuals in the functional departments of the business and support areas proactively manage risks by developing procedures to keep specific risks of the activity being carried out under control. The first line of risk delimitation is responsible for the execution of risk policies, minimum standards and the framework set by the second line of risk delimitation.
2. **The second line of defense** – is ensured by the compliance function and the risk management function that supply adequate mechanisms for the first line of defense. The compliance function ensures the compliance of the company's activity with the regulation framework in force and verifies that controls are being carried out by the first line. The risk management function is independent from the activities that generate risk exposures, develop risk management policies and procedures on the level of the entire company and ensures risk management over the entire process.
3. **The third line of defense** – is ensured by the internal audit function. The mission of this defense line is to offer a specialized independent assessment with respect to the efficiency of the risk management process and internal control system.

The Board of Directors is responsible for:

- approving and reviewing, at least annually, the company's risk management policy, procedures and methodologies for identifying, assessing, monitoring, managing and reporting the significant risks which the company is or may be exposed to at all times
- approving the risk profile, risk appetite and risk tolerance limits of EVERGENT Investments

- approving the results of the annual internal self-evaluation of operational risks, including IT operational risks and internal control system and of the risk response plan that presents measures to prevent and lower operational risk
- approving the quarterly risk reports and of the activity reports of the risk management department
- approving the results of the crisis simulations and recommendation submitted by the risk management function
- evaluating and reviewing the effectiveness of the policy, measures and procedures put in place to manage risks on a six-month basis and taking appropriate measures to remedy any shortcomings
- establishing a governance system that contributes to the efficient supervision of EVERGENT Investments' subsidiaries and that also takes into consideration the nature, size and complexity of the risks that the group and subsidiaries are subjected to, while at the same time abiding by the legal and governance responsibilities of the subsidiaries
- the analysis of the adequacy, efficiency and update of the risk management system for the efficient management of assets held, as well as of the way the risks the company is exposed to are managed
- ensuring the drafting and half-yearly evaluation of the activity continuity plan and the plan for emergency situations for the purpose of eliminating risks or lowering them.
- approving the governance framework with respect to managing IT risks

Executive management is responsible for:

- ensuring the implementation of the risk management policy and procedures and methodologies for identifying, assessing, monitoring, managing and reporting the significant risks that the company is or could be exposed to at any time, approved by the Board of Directors
- the adoption of adequate and effective measures, processes and techniques to monitor and control all relevant risks in compliance with the risk management policy
- ensuring the necessary resources for the implementation of the risk management system and establishing competencies and responsibilities for risk management in each business line
- the proper and effective application of and compliance with the risk limits undertaken, including in the event of crisis situations, as well as compliance with the risk profile approved by the Board of Directors
- ensuring that crisis simulations are carried out and that the recommendations approved by the Board of Directors are implemented
- establishing and maintaining a proper risk exposure reporting system
- the implementation of the measure plans included in the risk reports and approved by the Board of Directors
- the development of an integrated risk culture at the level of EVERGENT Investments, based on a full understanding of the risks that the company is confronted with and how they are managed, taking into consideration its risk tolerance and appetite

- the half-yearly evaluation of the activity continuity plan for emergency situations in order to eliminate or minimize risks
- implementing all resolutions related to the IT risk management framework.

The Audit Committee half-yearly monitors the efficiency of the risk management system in EVERGENT Investments, it analyses and endorses the risk management policy, procedures and methodologies, analyzes and endorses the risk reports and annual report on the risk management activity.

The Risk Management Department is independent, from hierarchic and functional point of view, from the activities that generate risk exposures and has the authority needed and access to all relevant information necessary to fulfil its attributions and responsibilities.

Each individual employed by the risk management department must hold the professional knowledge, competencies and experience required, as well as meet the reputation, honesty and integrity requirements. Furthermore, each individual is subjected to FSA certification and must meet the eligibility and registration requirements for the FSA Public Registry.

The Risk Management Department has the following duties:

- drafts and implements efficient policies, procedures and methodologies for risk management, as well as any amendment to them;
- identifies, measures, manages and monitors all risks relevant to the investment policy on an on-going basis and to which EVERGENT Investments is or may be exposed;
- identifies the risks of EVERGENT Investments' engagement in the investment/divestiture operations suggested by the departments with portfolio management functions and suggests measures to prevent or lower them, if applicable;
- identifies the risks of EVERGENT Investments' engagement in new activities and proposes measures to prevent and lower them, if applicable;
- substantiates and suggests risk limits, monitors their abidance and notifies the Board of Directors and executive management in due time about any existent or predictable exceeding of the set risk limits, to make sure that quick and adequate measures can be taken;
- assists the Board of Directors and executive management regarding the identification of EVERGENT Investments' risk profile;
- evaluates the company's risk profile depending on the risk appetite and tolerance set by the Board of Directors and informs the Board of Directors and executive management in due time if they think that the risk profile is not compliant with the approved risk limits or that there is a significant risk that the risk profile will become non-compliant with these limits;
- makes sure that the risk profile of EVERGENT Investments as notified to investors abides by the set risk limits to cover at least market risk, issuer risk, liquidity risk, credit and counterparty risk, sustainability and operational risk;
- calculates gross and commitment method exposures on a monthly basis and determines leverage in order to meet institutional reporting requirements;

- monitors the compliance of EVERGENT Investments' asset categories within the applicable statutory and internal prudential limits in force, including monitoring the total value of assets and compliance with own funds and additional own funds requirements, as well as notifies the Board of Directors and executive management in a timely manner of any existing or foreseeable exceedance thereof, to ensure that prompt and adequate measures can be taken;

- classifies the asset categories of EVERGENT Investments in risk classes, in terms of asset liquidity;
- carries out, at least once a year or whenever it thinks necessary, crisis simulations under the conditions foreseen by the risk procedures and FSA regulations in force;
- assesses how the variable remuneration structure affects the company's risk profile
- monitors the EVER share's synthetic risk indicator and past performance scenarios;
- drafts the report on the results of the annual internal self-assessment of operational risks, including IT operational risks and the internal control system;
- drafts half-yearly reports on the adequacy and effectiveness of the risk management process;
- drafts the annual activity report and the annual risk management plan;
- drafts quarterly risk reports on the managed risks and submits them to the Board of Directors;
- reports the risks identified as potentially significant in compliance with the procedures applied to the Board of Directors and executive management.

3. PROTECTION MEASURES AGAINST CONFLICTS OF INTEREST IN DIRECT CONNECTION TO THE RISK MANAGEMENT FUNCTION

EVERGENT Investments maintains an adequate policy to prevent, manage and monitor conflicts of interest in the risk management process.

Conflicts of interest may arise in, but are not limited to, the following situations:

- the risk management staff carrying out business or support activities, especially portfolio management activities.
- the remuneration of the staff responsible for risk management is based on the performance of the business units, especially the performance of the portfolio management function.
- subordination of risk management staff to operational structures, especially the portfolio management function.

Specific measures for protection against conflicts of interest in the risk management area consist in:

- ensuring the functional and hierarchic separation of the risk management function from the business and support functions through the organizational chart and internal regulation, especially those in charge of portfolio management. The risk management activity is organized in a distinct department, subordinated to the Board of Directors.
- The individuals involved in carrying out the risk management function are not engaged in activities within the business or support units, especially those within the portfolio management function, thus ensuring their independence.

- The remuneration of the individuals involved in carrying out the risk management function is set depending on the objectives connected to this position, regardless of the performance obtained by the business functions, thus ensuring that the evaluation of the risks corresponding to investments is objective.
- Potential conflicts of interest must be declared and are managed within the company in compliance with the Procedure regarding the prevention and avoidance of conflict of interest.

For EVERGENT Investments to ensure that protection measures ***are constantly effective***:

- The risk management function undergoes internal audit examination and is subordinated to the Audit Committee ensuring that:
    - the risk management function has the necessary authority and access to all relevant information necessary to fulfil its specific tasks, in compliance with internal procedures.
    - the decisions made by the risk management function are based on viable data that are subjected to a proper degree of control, in compliance with risk management procedures.
    - operational structures implement specific measures to prevent and lower risks as proposed by those tasked with risk management.
    - relevant risks are identified and evaluated.
    - adequate risk responses are selected, in compliance with the risk appetite.
    - relevant information regarding risks are communicated in due time within the company, so that the staff, management and Board of Directors fulfil their responsibilities.
- The remuneration of individuals carrying out risk management functions is directly supervised by the Nomination – Remuneration Committee that is independent from the management of EVERGENT Investments and operational structures.
- Individuals tasked with the risk management function are bound to:
    - inform the Board of Directors, Audit Committee and executive management if their objectiveness and independence is affected in fact or apparently, through actions such as the limitation of the scope of their activity, change in the work schedule, limitation of access to financial or information resources etc.
    - report to the Board of Directors and executive management, as well as to the Audit Committee, any situation when their objectivity and impartiality may be actually or potentially influenced or if they have any concerns regarding a situation that might be considered as prejudicing their objectivity or independence;
    - avoid any action or rapport with or from an employee, shareholder, representative of the issuers in the investment program, if they might give the impression that their personal objectivity might be affected (e.g. acceptance of money, gifts or entertainment etc. of significant value).

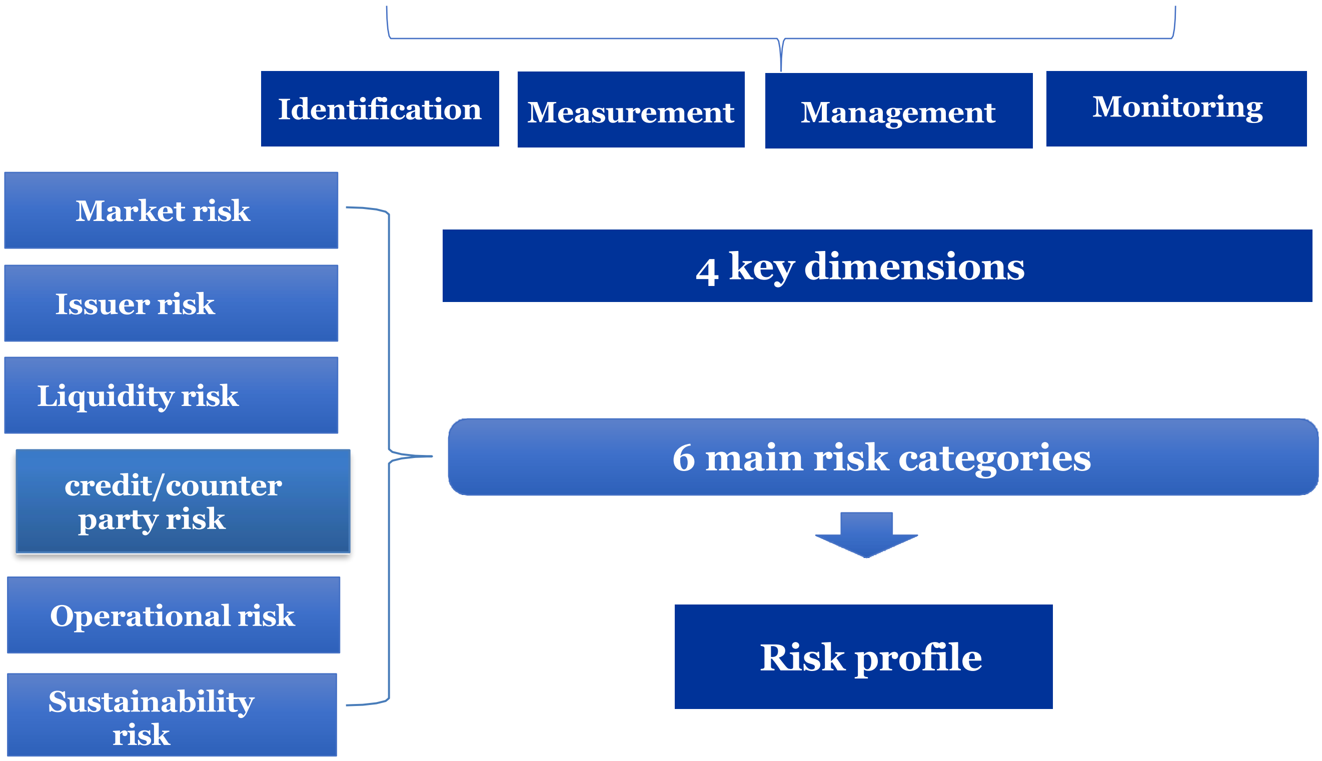
The Board of Directors half-yearly examines the effectiveness of the protection measures against conflicts of interest concerning the risk management function and takes corrective measures in due time to remedy possible deficiencies.

4. IDENTIFYING, MEASURING, MANAGING AND MONITORING THE RISKS THAT THE COMPANY IS OR MAY BE EXPOSED TO

EVERGENT Investments has developed detailed work procedures regarding the identification, measurement, management and monitoring of the risks that it is or may be exposed to (managing market risk, issuer risk, liquidity risk, credit/counterparty risk, sustainability risk, management and self-evaluation of operational risks and internal control system, calculation and monitoring of prudential limits, calculation of exposure and leverage effect, prior verification when investments are made, crisis simulations and scenario analysis).

4.1. IDENTIFYING RISKS

Given the nature of the activity carried out, that of financial investments, EVERGENT Investments is or may be exposed to the following relevant risks:



Other risks:

- regulatory risk
- systemic risk
- strategic risk
- reputational risk
- risk of a conflict of interest occurring
- risk associated with the activities carried out by the company's subsidiaries

4.2. RISK MEASUREMENT

When risks are identified and measured, EVERGENT Investments uses anticipative and retrospective-type instruments. The instruments allow for the aggregation of risk exposures between activity lines and facilitate the identification of risk concentration.

The final responsibility for risk evaluation belongs exclusively to EVERGENT Investments who evaluates risks in a critical manner and does not exclusively count on external evaluations.

For each relevant risk, EVERGENT Investments has established a ***set of specific indicators***, calculated periodically and on pre-set time intervals, that **measure risk.** The selected indicators and their method of calculation are presented in detail in the specific risk management procedures of EVERGENT Investments. The risk indicators lay at the base of establishing the risk profile for each individual relevant risk and on a global level.

For the assessment and monitoring of the relevant risks to which it is exposed, EVERGENT Investments has internally developed IT applications within an integrated IT system, which calculate specific risk indicators using **internal models** based on:

- ***market databases*** (series of trading prices and series of net asset statement prices) for the calculation of yield/risk indicators of issuers/asset portfolio exposed to market risk (quantitative analysis). The quantitative analysis works with statistical indicators that offer measurements regarding market risk exposure;
- ***issuers' financial databases*** (information from half-yearly/annual financial statements) for fundamental analysis. The fundamental analysis works with financial indicators that evaluate the financial balance, indebtedness degree, asset use efficiency, financial performance status and efficiency of the issuer's management;
- ***data from EVERGENT Investments accounting records and EVERGENT Investments' net asset statement***, for the calculation and verification of risk limits;
- ***databases regarding operational risk events.*** The purpose of the database is to facilitate the understanding of the nature, cause and value of operational loss and collect data to quantify operational risk.

4.3. ESTABLISHING RISK LIMITS

For each relevant risk indicator, through risk management procedures, we set value/tolerance ranges corresponding to low, average and high risk levels, as well as the maximum risk tolerance limit up to which EVERGENT Investments is willing to undertake the risk in order to maintain an adequate portfolio yield for its support activities (risk appetite).

The risk management function submits the tolerance limits for relevant risks for the approval of the Board of Directors on a yearly basis, which allows EVERGENT Investments to carry out its activities under adequate conditions.

4.4. RISK PROFILE

The Board of Directors establishes the risk profile of EVERGENT Investments and makes sure proper measures are taken to keep actual risks within the risk profile notified to investors.

The risk profile represents all exposures of EVERGENT Investments to real and potential risks. The risk profile is evaluated at least once a year or every time it is considered necessary, according to the risk matrix, in compliance with strategic objectives and, as appropriate, the risk appetite. Its role is to determine the size of each relevant risk and of the general risk level, based on relevant indicators.

For the accurate monitoring of relevant risks, in the context of the abidance by EVERGENT Investments regulation framework, the following were set for each relevant risk category:

- **Risk appetite** represents the risk level, expressed for each risk category, up to which EVERGENT Investments is willing to take on risks or accept them, in agreement with the established strategy and investment policies, while keeping the risks under control within the risk profile undertaken for each risk category. The risk appetite expressed corresponds to the risk profile undertaken by EVERGENT Investments. The risk appetite can be high, average, low.
- **Risk tolerance** represents EVERGENT Investments' ability to accept or absorb risks. EVERGENT Investments considers that keeping risks within the established tolerance range represents safety in maintaining the established risk appetite on a strategic level. Risk tolerance, an instrument for the adjustment of risk appetite through certain levels of appraisal/limits/ranges is expressed as the evolution of specific indicators for each relevant risk category identified and undertaken by EVERGENT Investments. Risk tolerance levels can be high, average, low.

The risk profile is set on global and individual level for each risk category, considering the nature, size and complexity of EVERGENT Investments' activities.

The evaluation method of the risk profile for each individual risk is detailed in the risk management procedures and methodologies.

The risk management function monitors the actual risk profile of EVERGENT Investments on a *quarterly* basis and examines it in relation to its risk appetite in order to allow its analysis by the Board of Directors in its supervision function.

Depending on the evolution of the risk profile in relation to the risk appetite, as well as on the temporal dimension of a certain evolution (e.g. the period when the risk exceeds a certain level), the Board of Directors orders corrective or control measures for the risk factors.

The overall risk profile undertaken by EVERGENT Investments is an **average** one, corresponding to an **average risk appetite.**

4.5. MARKET RISK APPROACH

The financial investment activity and the profile of EVERGENT Investments are in close connection with market risk, a relevant risk for the company.

Definition – market risk is the loss risk for an institution stemming from the fluctuation of the market value of the positions in the financial instruments portfolio, fluctuation that might be attributed to the amendment of market variables: share prices, currency exchange rates, interest rates, that might modify the revenue of the institution of the value of financial instruments held.

The components of market risks are price risk, currency risk and interest rate risk.

a) Price or position risk

Definition – the price risk is the risk that the value of a financial instrument fluctuates as a result of market price chance, change caused by macro-level factors that affect all instruments traded on the market (systematic component) or by factors that are specific for individual instruments or their issuer (non-systematic component).

The non-systematic risk component may be eliminated through diversification.
Identification – EVERGENT Investments is exposed to price risk for:

- shares listed on the regulated markets in Romania
- shares listed on external markets
- shares listed on non-regulated markets
- unlisted shares
- other investments such as shares and shareholdings in closed and open investment funds
- derivatives. EVERGENT Investments does not currently hold such instruments in its portfolio, but the investment policy provides for the possibility of investing in derivative financial instruments

Given the structure of the portfolio, the price risk is a *relevant risk* for EVERGENT Investments.

b) Currency Risk

Definition – currency risk is the risk that the value of a financial or monetary instrument fluctuates due to the variation of currency exchange rates.

Identification – EVERGENT Investments is exposed to currency risk for financial and monetary instruments, as well as bank loans denominated in a currency other than RON.
Given the size of the exposure on instruments exposed to foreign exchange risk, it represents a relevant risk for EVERGENT Investments.

c) Interest rate risk

Definition – interest rate risk is the risk that the value of a financial or monetary instrument fluctuates due to the variation of market interest rates.

Identification - EVERGENT Investments is exposed to the interest rate risk on financial or monetary instruments and bank loans with variable interest rates.

Given the size of the exposure on instruments exposed to interest rate risk, this is a *relevant risk* for EVERGENT Investments.

The risk appetite undertaken by EVERGENT Investments corresponding to the market risk is an **average** one, subordinated to the objective to maintain a controllable level of EVERGENT Investments' exposure to the effects of this risk, through portfolio diversification.

The risk profile undertaken by EVERGENT Investments in the field of market risk is an **average** one, characterized by expected moderate losses following market fluctuations.

Measures to lower market risk are taken by organizational structures with portfolio management function through specific procedures such as, but without being limited to:

- procedural investment due diligence process
- daily monitoring of issuers in the market and risk/return characteristics of portfolio holdings

- diversification of the range of financial instruments and sectors of activity
- active management of the traded equity portfolio through acquisitions and mark-to-markets
- optimizing the performance/market risk ratio
- appropriate valuation of unlisted holdings
- monitoring the macroeconomic, political and sectorial context and adapting market risk management to this context
- the use of specific derivative financial instruments to hedge market risk.

Market risk management is carried out by the risk management department in compliance with the specific market risk procedure, by establishing adequate limits and monitoring the compliance of the portfolio with the undertaken limits.

4.6. ISSUER RISK APPROACH

Definition – the issuer risk represents the current or future risk of losing the value of a title in the portfolio, following the deterioration of its economic-financial status, either due to business conditions (malfunction or failure to coordinate its internal activities in compliance with its business plan) or due to certain events, trends and external changes that could not have been known or prevented through the control system.

Identification – The issuer risk results from the exposures on shares held in the entities in the portfolio.

Given the structure of the portfolio, issuer risk represents a *relevant risk* for EVERGENT Investments.

<u>Concentration risk</u> – risk associated to issuer risk.

Definition - concentration risk represents the risk of bearing losses from improper diversification (non-homogenous distribution) of exposures on equity instruments on terms, industrial sectors, geographic regions or companies/issuers.

Identification – EVERGENT Investments is exposed to concentration risk on certain classes of assets, on individual issuers and issuers belonging to the same group.

The management of concentration risk is done through *monitoring and abiding by the prudential limits established by the legislation in force regarding the company's exposures,* according to specific procedures.

The risk appetite taken on by EVERGENT Investments corresponding to issuer risk is an **<u>average</u>** one, subordinated to the objective of investing in issuers with solid economic and financial status, activating mainly in the financial – banking sector, simultaneously with maintaining a controllable exposure of EVERGENT Investments to the effects of this risk, through the application of a high level of diligence in the permanent selection and monitoring of investments.

The risk profile undertaken by EVERGENT Investments in the field of issuer risk is an **<u>average</u>** one, as there is the risk of losing part of the assetvalue through the deterioration of the economic – financial status of some issuers, without it substantially affecting the value of EVERGENT Investments' assets.

Measures to lower issuer risk – are taken by organizational structures with a portfolio management function, by applying specific procedures such as, but not limited to:

- ensuring a high level of due diligence in the selection and monitoring of issuers, reflected in specific portfolio management policies and procedures by category of issuer which are reviewed regularly. EVERGENT Investments applies a high level of diligence in the selection and ongoing monitoring of investments. To ensure that investment decisions are made and executed in compliance with the objectives, investment policy and established risk limits, EVERGENT Investments has in place and applies written policies and procedures regarding due diligence.

  These policies and procedures are developed and managed by the departments providing the portfolio management function and describe the minimum steps that must be taken in selecting, initiating, analyzing, monitoring and liquidating investments of any kind. These policies and procedures shall be reviewed and updated regularly.

  According to these procedures, when EVERGENT Investments invests in less liquid assets, such as holdings in unquoted companies, due diligence requirements also apply during the negotiation phase.

  Activities undertaken by EVERGENT Investments prior to the conclusion of any agreement or contract are adequately formalized through internal procedures which ensure that they are in accordance with the company's economic and financial plan.

  • monitoring and periodically revising the issuers in connection to their exposure level, and defined risk profile.

- adequate assessment of unlisted equity.
- active involvement in the management of issuers in which the company holds a majority position, promoting high standards of good governance.
- ongoing specialization of staff involved in portfolio management in distinct areas of activity specific to each portfolio.

Issuer risk management is carried out by the department tasked with risk management function in accordance with the specific issuer risk procedure, by establishing adequate limits and monitoring the compliance of the portfolio with the undertaken limits.

4.7. LIQUIDITY RISK APPROACH

Definition – liquidity risk is the current or future risk of negative impact on profit and capital, determined by the company’s inability to meet its obligations on their maturity. The liquidity risk has two forms:

- **Cash-flow risk**: risk of registering losses or failure to reach estimated profits as a result of the impossibility of fulfilling at any time short-term payment obligations, without this involving excessive costs or losses
- **Asset liquidity risk:** losses that might occur if a position in the company’s portfolio cannot be sold, liquidated or closed with limited costs, at a close value of its fair value, within a reasonable amount of time (due to the impossibility of finding a counterparty in financial transactions).

Identification – EVERGENT Investments is exposed to liquidity risks for all assets held in the portfolio.

Given the importance of ensuring the liquidities necessary to carry out investment projects, liquidity risk is a *relevant risk* for EVERGENT Investments.

The risk appetite undertaken by EVERGENT Investments corresponding to liquidity risk is a **low** one, subordinated to the objective of keeping sufficient resources to satisfy current and anticipated liquidity needs. On setting the appetite risk, we have also considered the fact that EVERGENT Investments, as a closed investment fund, does not have redemption obligations towards its investors.

The risk profile undertaken by EVERGENT Investments in the field of liquidity risk is **low**, characterized by adequate liquidity levels and developed liquidity management practices

Measures of lowering liquidity risk – are taken by the departments with portfolio management function and through the liquidity management function by using specific liquidity management procedures, in close connection with the liquidity policy and investment policy, such as, but without being limited to:

- monitoring the cash flow by setting expected liquidities entries and exits within certain periods of time;
- analysis of the ability of assets to be traded on the market and ensure the actual liquidities necessary to cover support obligations and investment objectives of the company, through divestiture;
- monitoring the liabilities and significant engagements that EVERGENT Investments has in relation to its support obligations;
- evaluation of expected cash-flows, of inconsistencies between them and the ability to balance them in crisis conditions, according to certain crisis scenarios on different time horizons;
- prevention and management of crisis situations, through the purchase of financial instruments with high liquidity degree, diversification of the fixed revenue instruments duration etc.;
- proper diligence in making monetary placements.
- providing a liquidity cushion to cover additional liquidity needs that may arise over a short period of time
- monitoring the amounts owed on account of cash loans contracted under the conditions required by law and interest charges on loans

Liquidity risk management is carried out by the department tasked with risk management function in compliance with the specific liquidity risk procedure, by establishing adequate limits and monitoring the portfolio's compliance with the undertaken limits.

4.8. OPERATIONAL RISK APPROACH

Definition – Operational risk is the risk of loss caused using certain processes, systems and human resources that are inadequate or have failed to meet their function properly or by external events and actions.

Identification – the operational risk sources are the human factor, external factor, processes and systems corresponding to the activities carried out on the level of all EVERGENT Investments departments.

The main operational risk categories are:

- Internal fraud
- Employment practices and work safety
- Service suppliers, outsourced activities and commercial practices
- External fraud
- Damages to corporate assets
- Interruption of the activity and improper functioning of systems
- Execution, delivery and management of processes

Given the complexity degree of EVERGENT Investments' activity, operational risk is a *relevant risk* for EVERGENT Investments.

The risk appetite undertaken by EVERGENT Investments corresponding to operational risk is an **average** one, subordinated to the objective of maintaining a controllable level with acceptable losses from the operational risks that the company is or may be exposed to on the level of all activities carried out.

The risk profile undertaken by EVERGENT Investments in the field of operational risk is **average**, corresponding to the complexity degree of EVERGENT Investments' activity, activity volume, staff structure, IT level, complexity of the monitor and control procedures and all other intrinsic aspects connected to the company's risk policy.

4.8.1. Subcategories of operational risks

Risk corresponding to IT technology (IT) **–** a sub-component of operational risk that refers to the current or future risk of negatively affecting on one hand the profits and capital of the entities and investors, participants or insured, on the other, caused by the inadequacy of the IT strategy and policy, information technology and its processing in terms of the ability to manage it, its integrity, its controllability and continuity or improper IT use.

Information technology risk mitigation measures - are carried out by IT departments using specific procedures such as, but not limited to:

- identification of all major IT systems used on both components, namely the hardware and software infrastructure, that are critical to the activity they carry out and continuous update of the register with the identified major IT systems
- annually assessing and continuously monitoring operational risks arising from the use of critical IT systems, prioritizing resources, implementing appropriate IT security measures in compliance with the applicable legal requirements and monitoring their effectiveness
- carrying out at least the mandatory activities corresponding to the IT risk category in which the company is classified according to legal regulations
- testing the security of applications, testing the security of operating systems used within the entity and testing the security of the network infrastructure, as well as testing the vulnerabilities identified through security scanning

- ensuring that the major IT systems used meet the requirements laid down by legal regulations
- drawing up cyber security incident response plans and testing them annually
- auditing important IT systems according to legal requirements
- implementing legal requirements with respect to digital operational resilience within the financial sector
- monitoring the agreements entered into with third party IT service providers
- regularly attending specific training courses, both for the IT staff and the management, as well as the entire hired staff
- regular internal audit of the company's IT risk management framework

EVERGENT Investments has formalized adequate Policies and Procedures in the field of digital operational resilience that allow for the adequate management of IT risks, among which are: the strategy on digital operational resilience, the general policy of activity continuity, the information security policy, the IT risk management policy and procedure and the activity, response and recovery in case of disaster continuity plan.

Risk corresponding to professional responsibility – a sub-category of the operational risk that refers to the risk of loss or damage caused by a relevant individual within the company through neglectful actions, errors or omissions in fulfilling the activities for which the company bears legal responsibility.

The risks connected to professional responsibility include, without being limited to, the following risks:

- loss of documents that certify the ownership rights on the company's assets
- false or deceiving statements addressed to EVERGENT Investments or its investors
- actions, errors or omissions that lead to the infringement of:
  - legal and regulatory obligations
  - the obligation to act with competence and care towards the company and its investors
  - fiduciary obligations
  - confidentiality obligations
  - company rules or articles of association
  - company's self-management obligations
- failure to fulfill the obligation to establish, apply and maintain adequate procedures for the prevention of illegal, fraudulent or malicious acts
- improper asset evaluation or NAVPS calculation
- losses stemming from the interruption of the activity or malfunctions of the system, the processing of transactions or process management

EVERGENT Investments covers the risks connected to professional responsibility from its own additional funds. To cover these risks, EVERGENT Investments ensures additional own funds of at least 0,01% of the managed portfolio value.

The Risk Management Department follows the coverage of potential professional responsibility risks as follows:

- it recalculates at the end of each financial year, the need for own additional funds to cover the professional responsibility risks (0,01% applied to the value of the managed portfolio – art. 14, paragraph (2) of EU Reg. no. 231/2013).
- it verifies if the company's own funds cover the own funds need and additional own funds to cover vocational responsibility risks, as foreseen by legal regulations.

Compliance risk – the risks that the company suffer the sanctions foreseen by the legislative or regulatory framework, register significant financial loss or reputation damage, following its failure to comply with the provisions of the legislative of regulatory framework, its own standards and norms, as well as the conduct codes applicable to its activity. The lowering of compliance risks will be made through the internal control system, on all of EVERGENT Investments' structure levels.

Model risk – the model risk represents a possible loss that EVERGENT Investments may register following certain decisions that might be based mainly on internal model results, due to errors in the development, implementation or use of these models.

For example, for risk indicators, calculation formulae are pre-defined in a dedicated IT application that uses primary data and information in the integrated IT System. An indicator calculated like this is VaR (to measure market risk), which uses, as primary information, the trading prices collected through electronic transfer in the integrated IT system and the prices from EVERGENT Investments' net asset.

Risk connected to outsourced activities – the financial, reputational and operational impact on the company of the service provider's improper fulfillment of the outsourced activity, including the risk of the company's impossibility to continue to carry out its financial activity and/or abide by the provisions of the legislation in force, following the failure or difficulties met by the legal entity employed by the company based on a contract to carry out the activities that are normally carried out by the company.

Money laundering and terrorist financing risk - the risk of the company's involvement in money laundering operations and/or financing terrorism as a result of the non-application or defective application of legal or contractual provisions relating to the fight against these offences. EVERGENT Investments has formalized a system procedure on the prevention and combating of money laundering and terrorism financing which includes an appropriate policy for the management and mitigation of money laundering and terrorism financing risks, which:

- identifies the risk factors associated with customers arising from the establishment of a business relationship or the execution of an occasional transaction;
- includes the procedures and methodologies necessary to enable the company to assess the company's exposure to the ML/FT risk associated with customers arising from business relationships or occasional transactions and the entire activity.

4.8.2. Evaluation and control mechanisms for operational risks -EVERGENT Investments has adequate internal quality control mechanisms in place to avoid or mitigate operational deficiencies, including liability risks. These mechanisms are adequately formalized within the operational risk self-assessment procedure and the internal control system and procedure for managing operational risks, including risks related to professional liability, to which the company is or could reasonably be exposed.

EVERGENT Investments integrates all operational risks identified in the company in an *Operational Risks Registry*.

The events generating operational risks are classified and reported on their identification date by all departments within the company through reporting forms. The responsibilities with respect to operational risk reporting are included in the operational risk management procedure and in the employees' job descriptions.

The collection of operational risk events is made in a historic database in which every operational deficiency, loss or damage incurred, including losses from risks connected to professional liability that have materialized, are entered.

The process of analyzing risks, operational losses and operational risk indicators ends with preventive measures that aim to reduce or even eliminate future losses.

4.8.3. *Measures to lower operational risks* – an important company-wide objective, is carried out by all company departments through the use of specific procedures established by the internal control system, such as, but not limited to:

- the refinement of and compliance with operational risk management policies, as well as effective measures to deal with non-compliance with these policies by taking appropriate corrective action;
- continuously adapting the internal regulatory framework and internal processes so as to ensure compliance with both the requirements of the FSA and best practices in the field;
- issuing procedures for all relevant operational processes within the company and the compliance of employees with working procedures;
- implementation of internal control tools and their improvement in day-to-day activities in each department of the company;
- improving the process of assessing internal and external factors that could negatively affect the company's performance, information flows and compliance objectives;
- developing the theoretical and professional skills of human resources through training courses;
- developing effective communication to disseminate information to the relevant staff and for all staff to fully understand and adhere to the policies and procedures related to specific duties and responsibilities
- regular internal/external audit of all activities carried out by the company
- ensuring occupational health and safety of human resources
- ensuring fire prevention and extinguishing and physical security within the company

Operational risk management is carried out by the department in charge of risk management in accordance with specific operational risk procedures, by establishing appropriate limits and monitoring the portfolio's compliance within the undertaken limits.

4.9. CREDIT AND COUNTERPARTY RISK APPROACH

Definition - Counterparty risk is a risk associated with credit risk. Credit risk is the risk of causing financial loss for the company, arising from the uncertainty of the ability, capacity or willingness of business partners to meet their contractual obligations.

Counterparty risk is the risk that a counterparty in a transaction will breach its contractual obligations before the final settlement of the cash flows related to the transaction.

Identification – EVERGENT Investments may be exposed to credit and counterparty risk on the following categories of financial instruments:

- bank deposits, current accounts
- bonds and other credit instruments
- derivatives.

Credit and counterparty risk is a *relevant risk* for EVERGENT Investments.

The risk appetite related to the credit and counterparty risk undertaken by EVERGENT Investments is **average**, subordinated to the objective of investing in counterparties with a sound economic-financial situation, while keeping EVERGENT Investments' exposure to the effects of this risk at a controllable level, by applying a high level of diligence in the selection and permanent monitoring of counterparties.

The risk profile undertaken by EVERGENT Investments in the field of credit and counterparty risk is **average**, with the risk of loss of part of the value of assets through the deterioration of the economic-financial situation of some counterparties, without it substantially affecting the value of EVERGENT Investments' assets.

Credit and counterparty risk mitigation measures shall be carried out by the departments with a portfolio management function and by the liquidity management function through the use of specific procedures in close correlation with the liquidity policy and the investment policy, such as, but not limited to:

- diversification of counterparties
- prudent selection of banks where cash is placed in bank deposits and current accounts, based on appropriate creditworthiness criteria
- monitoring the investments made by UCITS/AIFs in the portfolio
- investment in corporate bonds not admitted to trading is carried out on based on due diligence in compliance with specific investment due diligence procedures
- the use of specific derivative financial instruments to hedge credit risk

Credit and counterparty risk management is carried out by the department in charge of risk management according to the specific credit and counterparty risk procedure, by setting appropriate limits and monitoring the portfolio's compliance within the limits.

4.10 SUSTAINABILITY RISK APPROACH

Definition - sustainability risk means an environmental, social or governance event or condition which, if it occurs, could cause a significant actual or potential adverse effect on the fund's assets, profitability or balance sheet position or reputation.

The sustainability risk may manifest itself as its own risk or may significantly impact and contribute to other risk categories, such as market risk, liquidity risk, credit and counterparty risk, issuer risk or operational risk.

Identification - The Fund may be exposed to sustainability risks related to the following factors:

- **Environmental factors** – Environmental sustainability risks refer to the impact an entity has on the environment, for example pollution or greenhouse gas emissions. Given the Fund's focus on asset management, the Fund has limited use of physical infrastructure and facilities, therefore in its internal activity it produces low levels of carbon emissions, low levels of pollution and has insignificant land and water use.

  However, the Fund is indirectly exposed to climate change through the potential impact of the transition to a climate neutral, climate resilient, resource efficient and equitable economy on some of its portfolio companies. Thus, they may face regulatory risks (restrictions or additional costs imposed on polluting or emission-intensive companies), as well as reputational risks (changing consumer or financier perceptions, which may lead to difficulties in sales or financing access). This could affect the value of the Fund's portfolio, reputation and competitive position.

- **Social factors** – Sustainability risks related to social factors refer to how an entity relates to the employees or communities it operates in. Given the its activity scope, the size and complexity of its operations, the social exposure for the Fund primarily reflects risks arising from human capital management.

  Responsible human capital management means adopting policies and procedures that ensure compliance with recognized labor standards, occupational safety and health, adequate remuneration, diversity and opportunities for training and development, freedom of association and more. Failure to comply with the principles of a responsible employer may lead to loss of human capital, demotivation of employees and, by extension, a decline in the quality of the work performed. Furthermore, it can lead to material losses determined by fines or labor disputes, thus affecting the value, reputation and competitive position of the Fund.

  Finally, the Fund has a fairly low exposure to human capital management as it employs a low numbered and highly skilled workforce.

- **Governance**: - Governance-related sustainability risks relate to how responsibly an entity is managed and include elements such as management compensation, internal control, risk management, transparency or audit and include fiscal honesty, anti-corruption measures, Board of Directors sustainability management, sustainability-based Board remuneration, whistle-blower facilitation, information disclosure, assurance and data protection.

  As an asset manager, the Fund is required to comply with legal oversight and transparency requirements related to permitted investments, record keeping, asset valuation, risk management, IT security and other operations. The Fund is also required to implement and comply with a code of business ethics and transparent policies on remuneration, conflicts of interest and money laundering. Failure to comply with these can have both a material and reputational negative impact on the Fund.

  Furthermore, given that the Fund's core business is responsible asset management, risks from inadequate investment due diligence could also cause large value and reputational damage.

  Another issue is the privacy and security issues of data and IT systems, which if not properly managed, could lead to a deterioration in stakeholder trust levels, as well as sanctions from regulators.

Sustainability risk is a *relevant risk* for EVERGENT Investments.

The risk appetite undertaken by EVERGENT Investments related to the sustainability risk is **average**, subordinated to the objective of gradually integrating environmental, social and governance issues into all of the Fund's activities, in accordance with the legal regulations in force.

The risk profile undertaken by EVERGENT Investments in the sustainability risk area is **average**, consistent with the obligations arising from the Fund's applicable ESG governance regulations and the degree of exposure to and management of environmental, social and governance risks

Measures for the management and lowering of the sustainability risk:

On an organizational level

• compliance with applicable legal requirements regarding the approach to ESG issues

• developing an adequate understanding of the ESG issue through continuous training and staff development programs on the ESG issue

• taking ESG factors into account in the principles of internal organization (allocation of responsibilities) and in the policies and strategies of the Fund

• procedural process for identifying, monitoring and managing sustainability risks at the level of all operational activities of the Fund

• establishing limits on sustainability risks, within the limits of the declared risk appetite

• establishing remuneration systems that also take into account ESG risk management

• the inclusion in the management policies of conflicts of interest that may arise following the integration of sustainability risks in the Fund's processes and systems, as well as in internal controls

• the inclusion in the engagement policies of the principles regarding involvement in sustainability aspects

On an asset portfolio level, sustainability risk management and mitigation is carried out by organizational structures with a portfolio management function, by integrating sustainability risks into the investment decision-making process, based on specific strategies that include, but are not limited to:

- Taking environmental, social and governance aspects into account in the decision-making process, using a combination of three approaches: integration, screening and thematic investments.
  - Integration - explicitly and systematically including ESG aspects in investment analysis and decisions, to better manage risks and improve returns (investment due diligence).
  - Screening - applying filters to lists of potential investments to exclude those companies that do not align with the values and ethical principles of the Fund
  - Thematic investments – pursuing investment opportunities in companies that generate high returns in sectors that support sustainable development
- Improving ESG performance of portfolio issuers - encouraging companies in which the Fund is already an investor to improve their ESG risk management or develop more sustainable business practices, based on specific strategies that include, but are not limited to:
  - Involvement – monitoring the ESG characteristics of issuers and interacting with the Fund's portfolio companies on issues aimed at improving and making transparent both the business strategy and the environmental, social and governance aspects (individually or in collaboration with other investors)
  - Vote exercise - formally voting in favor of proposals for ESG factors that promote responsible corporate activity and enhance the long-term value of the company, as well as proposals to make ESG policies transparent.

Sustainability risk management is carried out by the department in charge of risk management according to the specific sustainability risk procedure, by establishing adequate limits and monitoring compliance within the assumed limits.

4.11. OTHER RISKS

Regulatory risk - the current or future risk of negative effects on the profit and the capital following the significant impact of a change in the regulation framework regarding EVERGENT Investments' functioning or on some traded financial instruments. The impact may refer to: a reduction of the activity for a certain investment type, an abrupt reduction of the exposure on strategic issuers, a significant increase in activity costs etc.

In terms of quality, lowering the regulatory risk will be done by adapting the policies, norms and procedures to the occurred amendments and by reducing or increasing the value of certain activities where applicable.

Regulatory risk is non-controllable (that means the triggering event or the size of the impact cannot be anticipated) and non-quantifiable.

Systemic risk – a risk is perceived as systemic if it poses a substantial threat to financial stability and has the potential to lead to serious negative consequences for markets and the real economy.

As a closed-end investment fund, EVERGENT Investments may be exposed to systemic risk due to its interconnectedness with asset markets and financial investors. A significant decline in asset prices in the market or a systemic liquidity crisis due to the macroeconomic environment, political environment or a pandemic may negatively affect the Fund.

EVERGENT Investments' objective is to anticipate and protect the Fund from these potential negative effects through crisis simulations, continuity plans and establishing market, issuer, liquidity, credit and counterparty, operational and sustainability risk exposure limits.

Strategic risk - the current or future risk of negative impact on profits and capital determined by changes in the business environment or adverse business decisions, inadequate implementation of decisions or failure to respond to changes in the business environment. Strategic risk is unquantifiable. The objective of EVERGENT Investments is to provide an appropriate framework for managing strategic risk by linking strategic objectives with the means and methods used to achieve these objectives, the resources required, as well as the quality of the decision-making process.

Reputational risk - the current or future risk of negative impact on profits and capital caused by the unfavorable perception of the company's image by shareholders, investors or the supervisory authority. The prevention and mitigation of reputational risk shall be achieved through, but not limited to, the appropriate application of the company's own ethic norms, confidentiality, as well as the regulations in force concerning the prevention and combating of money laundering, the development of an appropriate form of presentation/communication of information and promotional material on the company's activity and the establishment of working procedures and decision-making powers in the event of a crisis situation.

Risk of a conflict of interest occurring – risk of loss due to any situation when the interests of the company differ from the personal interests of employees, directors, managers or their close relatives.

EVERGENT Investments ensures an efficient and unitary framework for the processes of preventing and avoiding a conflict of interest and adopts measures and rules to avoid conflicts of interest.

Risk associated to activities carried out by the company's subsidiaries – current or future risk of negative effect on the company's profit and capital or reputation due to certain negative events on the level of the companies in the Group.

To manage this risk, the companies in the Group include, in their quarterly activity reports, information regarding the relevant risks they are exposed to, the way these are managed and possible measures to prevent and lower these risks. The risks are analyzed both by the departments with portfolio management function and by the risk management department, which suggest possible corrective measures if applicable.

4.12. RISK MONITORING AND MANAGEMENT

The monitoring and management of relevant risks is done through:

- regular measurement of the risk indicators and verification of their abidance by the tolerance range set for the undertaken risk appetite
- analysis of any approach or exceeding the value of the risk indicators in comparison to the limits set and taking proper measures to maintain or keep these indicators within the limits of the undertaken risk appetite/risk profile
- analysis of the marginal contribution of each asset that has a significant impact on the analyzed risk
- carrying out crisis simulations and periodical analyses of the scenarios, to respond to the risks coming from potential modifications of the market and liquidity conditions that might have a negative impact on the company
- before any investment, carrying out forecast calculations to estimate the impact of the future investment on the company's risk profile, taking into consideration the individual risk of the asset the company intends to invest in. The calculations take into consideration the nature of the investment, market conditions and price sensitivity for the asset that is to be purchased, under normal and exceptional market conditions.

The process of managing and monitoring relevant risks is described in the specific working procedures.

4.13. CRISIS SIMULATIONS, EX-POST TESTS

EVERGENT Investments approaches the possible vulnerability of its internal risk measurement techniques and models by carrying out crisis simulations, ex post tests and scenario analysis.

Crisis simulation - risk management technique used to assess the potential effects on EVERGENT Investments' risk profile of changes in a particular event and/or set of financial variables. This takes the form of scenario-based simulations, which assess the impact on EVERGENT Investments' risk profile of simultaneous changes in several risk determinants, considering that the stress event has been defined.

To build crisis scenarios, those events (stressors) are identified which, although relatively rare, could have a significant impact on the company's operations.

EVERGENT Investments carries out:

- **Crisis simulation in compliance with art. 15, paragraph (3), letter (b) of Directive 2011/61/EU** (risks associated with each investment position of EVERGENT Investments and their global effect on EVERGENT Investments' portfolio may be permanently and adequately identified, evaluated, managed and monitored, including through the use of certain procedures adequate to the crisis simulation).

- **Crisis simulation in compliance with art. 16, line (1), second paragraph of Directive 2011/61/EU and art. 2 of FSA Norm no. 39/2020** (EVERGENT Investments regularly carries out crisis simulations under normal and exceptional liquidity conditions, that allow it to evaluate and monitor the consequence of the company's liquidity risk).

EVERGENT Investments has a detailed procedure for carrying out stress tests.

Stress tests are carried out at least once a year and on an ad hoc basis, taking into account the investment policy, risk profile and dividend policy. Situations justifying ad-hoc stress tests other than annual stress tests are as follows:

- significant disruptions in local and international financial markets
- significant amendments to the company's investment policy and/or to the company's risk policy
- the occurrence of exceptional situations requiring that significant liquidity be available to EVERGENT Investments
- express requests from the executive management and/or the Board of Directors
- express requests from the regulatory authority
- identifying any other events and stressors that could have a significant impact on the company's risk profile

The reference date for conducting annual stress tests is March 31 of each year. The reference dates for the conduct of ad hoc stress tests will be established at the time of the events justifying their conduct.

Where stress testing and scenario analysis highlights a particular vulnerability to a particular set of circumstances, EVERGENT Investments takes prompt corrective action, adopting plausible measures to mitigate the impact of such situations.

The Board of Directors fully understands the impact of crisis events on the overall risk profile of EVERGENT Investments, with ultimate responsibility for the overall stress testing program.

The Board of Directors takes all results obtained during the crisis simulation into consideration when establishing and revising the policies, processes and risk limits.

Regular ex-post-tests - are carried out in order to examine the validity of risk measurement methods that include forecasts and model-based estimates. If it is ascertained that the models are deficient, EVERGENT Investments takes adequate measures to improve them.

5. REPORTS PREPARED BY THE PERMANENT RISK MANAGEMENT FUNCTION

EVERGENT Investments has established regular transparent reporting mechanisms so that the Board of Directors and all organizational structures benefit from timely, accurate, concise, understandable reports and can exchange relevant information on the identification, measurement or assessment and monitoring of risks.

The reporting framework is well defined through risk management procedures, documented and approved by the management of the company and covers all relevant risks.

The Board of Directors, in its decision function, has adequate access to the information regarding the status of the company's risks and, if necessary and proper, to the risk management function and specialized external consultancy.

At the same time, the Board of Directors establishes the nature, volume, format and frequency of risk-related information.

Internal Reports

The risk management department drafts and communicates, as applicable, to the Board of Directors and executive management:

- quarterly reports regarding the relevant risks that the company is or may be subjected to, which include, without being limited to the following:
    - compliance of current relevant risk values with the set limits;
    - compliance of EVERGENT Investments' assets categories with the legal and internal prudential limits in force;
    - compliance by the company with the risk profile communicated to the investors and the risk limits established and coherence between these limits;
- half-yearly reports regarding the adequate nature and effectiveness of the risk management process, indicating in particular if adequate corrective measures have been or will be ordered in case of existent or anticipated deficiencies;
- annual or impromptu reports regarding the results of crisis simulations;
- annual reports on the results of the self-evaluation of operational risks and internal control system, including operational IT risks; also includes the self-assessment of operational risks associated with the processes carried out within the prevention and combating of ML/FT;
- reports on approaching or exceeding established risk limits whenever it is detected;
- annual reports on how the structure of variable remuneration affects the company's risk profile.

Risk reports are pre-approved by the Audit Committee.

Communications to investors

EVERGENT Investments communicates to investors, as part of the regular reports to them, at least at the same time with the provision or publication of the annual report, the following information:

- percentage of AIF assets that are the object of special measures due to their illiquid nature;
- any new measures for the management of EVERGENT Investments' liquidity, if applicable;
- the current risk profile of the company and risk management systems used to manage these risks.

Any other information is communicated in compliance with applicable regulations. The information regularly communicated to investors is presented in a clear and easy to understand manner.

Reports to the FSA

EVERGENT Investments supplies information to the FSA, in compliance with the reporting model foreseen in annex IV of (EU) Regulation no. 231/2013.

The risk management function is responsible for:

- drafting a report regarding risk management activity and its submission to the FSA within 60 days from the end of each year;
- informing the FSA within a maximum of 7 business days from the date of occurrence of any important amendments to the risk management policy previously reported to the FSA.
- reports on the results of the crisis simulations
- reports on own funds and own fund requirements.

6. EVALUATING, MONITORING AND REVISING THE RISK MANAGEMENT SYSTEMS

The Board of Directors monitors the effectiveness of the risk management system within EVERGENT Investments, approves the policy, procedures and methodologies for risk management, analyzes and endorses the regular risk reports.

The Board of Directors evaluates, monitors and re-examines the following aspect on a half-yearly basis:

- adequate nature and effectiveness of the risk management policies and measures, processes and techniques for:
  - identifying, measuring, managing and monitoring the risks that the company is or may be exposed to at any time;
  - ensuring the established risk limits;
  - the extent to which the company abides by the risk management policy and the measures, processes and techniques mentioned above;
- the adequate nature and efficiency of the measures taken to remedy deficiencies occurred in the running of the risk management process;
- proper fulfillment of the risk management function;
- proper nature and efficiency of the measures meant to ensure the functional and hierarchical separation of the risk management function.

Moreover, the risk management systems are revised when:

- the risk management policies and procedures and the measures, processes and techniques for the identification, measurement, management and constant monitoring of the risks the company is or may be exposed to and the established risk limits are subjected to significant amendments;
- internal or external events indicate that an additional re-examination is required;
- EVERGENT Investments' investment policy and objectives are subjected to significant amendments.

The regular activity reports of the Board of Directors shall include information with respect to the conclusions of the evaluation of the efficiency of the risk management system.

This risk policy represents the firm option of the company's management to create and implement a risk management framework in compliance with the established objectives and stated risk profile, as well as to ensure compliance with the applicable regulations.

To meet transparency requirements, the EVERGENT Investments Risk Management Policy can be accessed on the EVERGENT Investments website.

Annexes:

Annex 1 - The policy on integrating sustainability risks into the investment decision-making process

Annex 2 - The policy on liquidity crisis simulations (LST)

Annex 3 – The policy on managing IT risks

Annexes 1, 2 and 3 are an integral part of the hereby document.

Approved during the Board of Directors meeting on ______________________.

Claudiu Doroș

President of the Board of Directors

Georgiana Dolgoș

Deputy CEO

Sonia Fechet

Risk Manager

Elena Rebei

Senior Risk Manager

Michaela Pușcaș

Compliance Manager