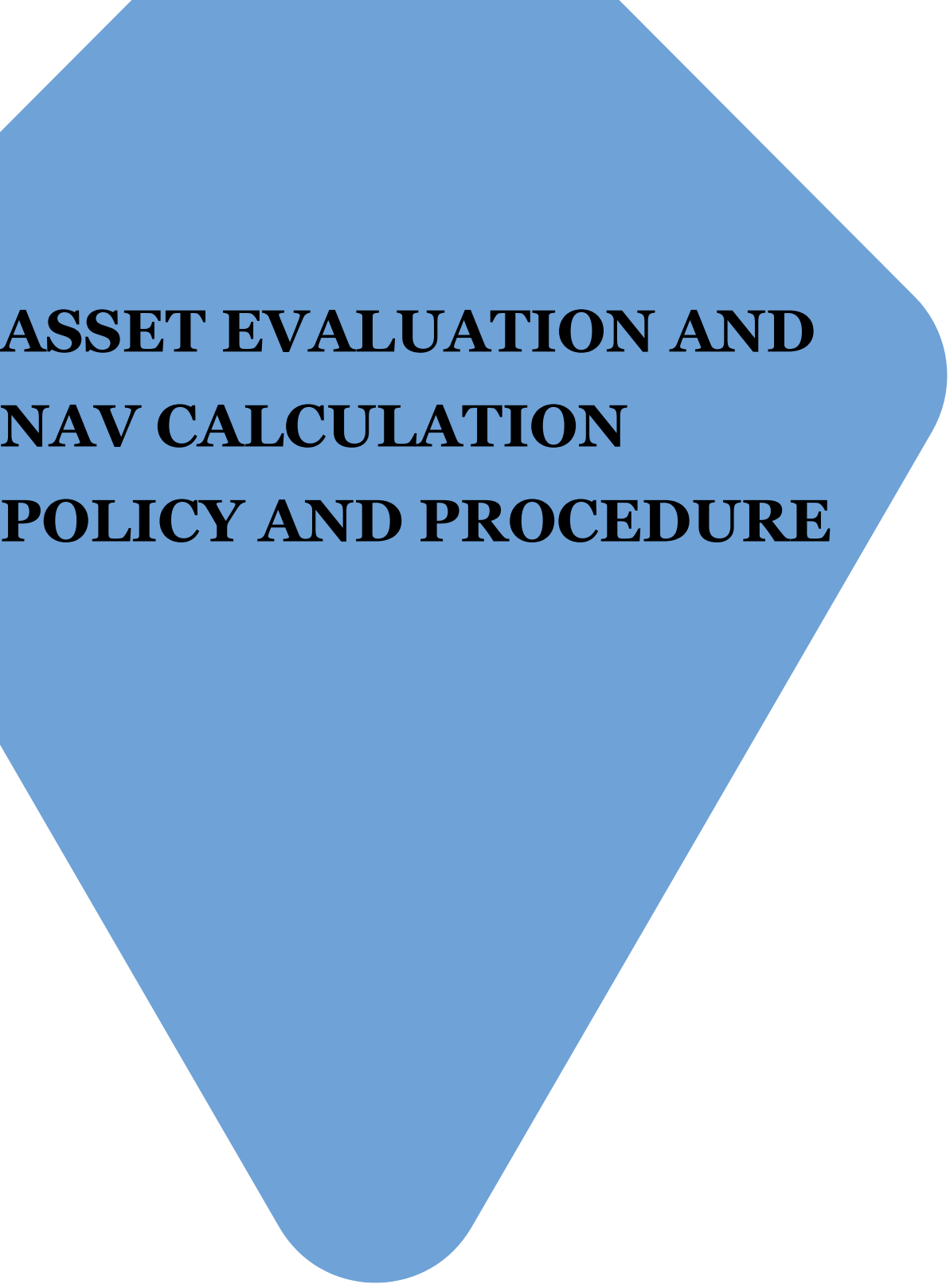




Drive for  
performance

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**ASSET EVALUATION AND  
NAV CALCULATION  
POLICY AND PROCEDURE**

## **Policies and Procedures for assets evaluation and Net Asset Value per Share (NAV) calculation**

*The policies and procedures for the evaluation of assets and calculation of net asset value per share (NAV) are drafted based on the following legal provisions:*

### **Law 74/2015 on managers of alternative investment funds**

**Art. 18. - (1)** AIFMs shall ensure that, for each AIF that they manage, appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the AIF can be performed in accordance with this law, the applicable national law and the AIF rules or instruments of incorporation.

**(2)** The rules applicable to the valuation of assets and the calculation of the net asset value per unit or share of the AIF shall be laid down in the law of the country where the AIF is established and/or in the AIF rules or instruments of incorporation.

**(3)** AIFMs shall also ensure that the net asset value per unit or share of AIFs is calculated and disclosed to the investors in accordance with this law, the applicable national law and the AIF rules or instruments of incorporation.

### **REGULATION no. 10/2015 on Alternative Investment Fund Management with its later amendments and additions**

ART. 17

(8) For the application of the provisions of art. 18 paragraph (1) and (8) and in compliance with the provisions of art. 7 paragraph (2) lit. e) and art. 19 paragraph (1) of Law no. 74/2015, AIFM authorized by/ registered with A.S.F. notifies the competent authority at the time of submission of the application for authorization and subsequently whenever changes occur on the manner the valuation function is provided. The notification shall also comprise information and data attesting the fulfillment by the internal evaluator or, as the case may be, by the external evaluator of the conditions provided in art. 18 par. (8) lit. a) and those stipulated in art. 18 par. (9) of the Law no. 74/2015, in the case of the external evaluators, respectively those stipulated in art. 18 par. (8) lit. b) of the same law, in the case of the internal evaluators, as well as the provisions of art. 67-74 of Regulation (EU) No. 231/2013. AIF asset valuation function is the one that calculates the net asset value per share according to the valuation methods established by national law.

### **European Union Regulation no. 231/2013: art. 67 - 73 [Article 19 of Directive 2011/61/EU]**

*Article 67* Policies and procedures for the valuation of the assets of the AIF

*Article 68* Use of models to value assets

*Article 69* Consistent application of valuation policies and procedures *Article 70*

Periodic review of valuation policies and procedures

*Article 71* Review of individual values of assets

*Article 72* Calculation of the net asset value per unit or share

*Article 81* Consent and notification of sub-delegation

*Article 73* Professional guarantees

## **Contents**

<i>Chapter 1</i>	EVERGENT Investments' Assets
<i>Chapter 2</i>	Evaluation of Assets in EVERGENT Investments' Portfolio
<i>Chapter 3</i>	Assets evaluation Rules
<i>Chapter 4</i>	Calculation and motorization of Relevant Threshold
<i>Chapter 5</i>	Calculation of net asset value per share. Reporting
<i>Chapter 6</i>	Risks connected to professional responsibility
<i>Chapter 7</i>	Tasks of the Depository regarding the evaluation of shares foreseen in art.  94 of EU Regulation no. 231/2013
<i>Chapter 8</i>	Revision of the Policy

## Chapter 1

### EVERGENT Investments' Assets

The categories of assets EVERGENT Investments can invest in are set in the primary/secondary legislation of the Romanian capital market, applicable for the type of AIF the company will be classified as (at present OCIU with diversified investment policy).

The investments made by EVERGENT Investments abide by the internal decisional framework, namely:

- (a) according to the provisions of the Memorandum of Association (art. 14 *Prudential rules regarding the investment policy*) „*The investment policy is approved by the General Meeting of Shareholders and abides by the prudential rules imposed by legal regulations and provisions.*”;
- (b) in agreement with the main activity and development direction of the company, and implicitly with the investment strategies, responsibilities assigned to the Board of Directors;
- (c) substantiation of investment strategies is provided by specialized structure that hold the proper knowledge and understanding of the assets EVERGENT invests in.

## Chapter 2

### Evaluation of Assets in EVERGENT Investments' Portfolio

The evaluation activity of the assets in the company's own portfolio is internally provided by the **Assets Evaluation Office**, abiding by the provisions of art. 18 (2) Law no. 74/2015 on managers of alternative investment funds: “*The rules applicable to the valuation of assets and the calculation of the net asset value per unit or share of the AIF shall be laid down in the law of the country where the AIF is established and/or in the AIF rules or instruments of incorporation.*” and art. 17 line (7) of Regulation no.10/2015 “*For the application of the provisions of Art. 18 line. (2) Law no. 74/2015, **the valuation rules of the assets of AIFs which the AIFM or external valuer uses shall be those provided in Arts. 113-122 of Regulation no. 9/2014 applicable to O.P.C.V.M.***”

The department meets the function of company assets evaluation, namely the calculation of net asset per share value (NAV) according to the evaluation method set by national law, position defined by art. 17 line (8) of Regulation no. 10/2015 regarding alternative investment funds management.

The Board of Directors sets the valuation methods used and approves the lists of companies that are evaluated through an evaluation report according to the International Evaluation Standards.

Evaluation is made through impartiality, competence, prudence and professional diligence.

**The Department** is responsible for :

**A. Calculation of net asset value (NAV),** with the following responsibilities:

(a) Coordination and insurance of the activity regarding the calculation of net asset value of EVERGENT Investments

- NAV calculation, that is made on a monthly basis and in case of capital increase or decrease, it uses a specialized IT application that transposes the evaluation rules of assets from national legislation: Regulation no. 9/2014, art. 113-122 and Regulation no. 10/2015, art. 17 line. (7). The evaluation rules for assets are presented in detail in chapter 3.

Note: for NAV calculation the data processed in the IT application is used as follows:

- (i) data from different official sources are automatically imported (e.g. BVB, Bloomberg)
  - (ii) specific data for each type of assets are processed and the unitary value of that asset results by applying the calculation algorithm
  - (iii) the value per share resulted from the evaluation reports compliant with international evaluation standards is entered.
- presents the IT application modification specifications in case the legal calculation rules for net assets are modified and verifies the accuracy of the modifications requested.
- (b) collaboration and communication with the entities, departments and staff in charge with the registration and generation of data included in net asset calculation, making sure the deadlines and updates of the internal regulation framework are abided by, including the net asset calculation procedure.
- (c) insuring the relationship with the depository company for the calculation and certification of the company's net asset.
- (d) provides the net assets reports, according to applicable regulations and reports that have the net asset data as main source (e.g. statistic reports to BNR, FSA, AIFM specific reports as per Annex IV to EU Regulation no. 231/2013)
- (e) making periodical analysis regarding the structure and evolution of the company's net assets.

**B. Evaluation of certain individual assets (shares) through Evaluation Reports according to international valuation standards and for the verification of reports drafted by third parties** (member of the National Association of Certified Evaluators from Romania( ANEVAR) specialized in enterprise evaluation or another international organization recognized by ANEVAT, with an equivalent specialization), expressing an opinion for internal use, as well as for the submission of information for net asset calculation purposes.

(a) Regarding the *net asset calculation activity*, the responsibility of the department is the drafting of evaluation reports compliant with the International Evaluation Standards for shares in EVERGENT Investments' portfolio classified in the case of net assets, in various categories (e.g. shares issued by unlisted companies, shares issued by listed companies not traded over the last 30 days, shares issued by companies in insolvency, shares suspended from trading for at least 30 trading days).

The responsible for the Core Portfolio, Sell and Majority Holdings, following the activity of monitoring the issuers in EVERGENT Investments' portfolio, analyze and submit for

the approval of the board of Directors, the companies to which evaluation methods compliant with the International Evaluation Standards are applied

(b) Other responsibilities

- assets evaluation, in case EVERGENT Investments intends to invest, for the grounding of the decision regarding investment opportunity and selection, in compliance with the investment objectives and strategy;
- evaluation of EVERGENT Investments' individual financial assets for financial reporting, according to IFRS;
- verification of the evaluation reports drafted by third parties for internal purposes, for the assets targeted by EVERGENT Investments' investment target;
- verification of evaluation reports for the shares of the companies in EVERGENT Investments' portfolio, drafted by third parties, for internal use;
- drafting and participation to the drafting of evaluation methodologies for the assets EVERGENT Investments invests in for the first time, and for which no proper evaluation methodologies exist.

The Department functions within the Financial Department and is independent from the departments responsible for portfolio management, implementation of investment policies and trading operations.

The staff of the departments meets the following requirements:

- individuals who calculate NAV carry out this activity solely within the company and their pay is not connected to the value of the evaluated assets.
- the individuals who carry out the individual evaluation of the assets compliant with the International Evaluation Standards have the professional competence necessary and abide by the independence and conflict of interest requirements in relation with the evaluated companies, namely: he/she is not a significant shareholder, he/she is not an administrator/censor/auditor/employee and has not had such a position in the last year.

### Chapter 3

#### Assets evaluation rules

The norms applicable to asset valuation are set by national law, that is FSA Regulation no. 9/2014, art. 113-122. Regulation no. 10/2015, art. 17 line (7) states the use of these rules: *“In the application of the provisions of art. 18 line (2) Law no. 74/2015, the evaluation rules of AIF assets that AIFM or the external evaluator correspondingly uses are those foreseen under art. 113-122 of Regulation no. 9/2014 applicable to U.C.I.T.S.*

EVERGENT Investments does not use models for assets evaluation, as per art. 68 (EU) Regulation no. 231/2013.

“The evaluation rules and procedures for EVERGENT Investments' assets” are presented for each asset type and displayed on the website [www.evergent.ro](http://www.evergent.ro).

The frequency of EVERGENT Investments' assets evaluation for the purpose of

calculating the net asset value, is:

- monthly, for liquid assets, where there is a market price ;
- at least annually, in case of joint stock companies not allowed for trading on a regulation market or alternative trading system, where FIA holds over 33% of the share capital ,

(a) The evaluation methodologies for each asset type the company can invest in, abiding by incidental legal provisions are presented in annex.

(b) In case of evaluation of assets with a market price, the evaluation methodology selected must take the market price and relevant market into account

(c) In case of the evaluation of assets where there is no market price, for setting the value, the evaluation standards of accounting value per share are used, depending on the case.

The Board of Directors has among its responsibilities the approval of the evaluation methods according to the international Evaluation Standards and Evaluation Guidelines – mandatory according to legal provisions for carrying out evaluation activities in Romania, mainly:

- market approach method;
- income approach method;
- cost approach method .

Before investing for the first time in a certain asset type, EVERGENT Investments identifies the proper valuation methodology or methodologies.

The risk management position offers the proper assistance regarding the adopted policies and procedures for assets valuation.

#### *Chapter 4*

### **Calculation and motorization of Relevant Threshold**

EVERGENT Investments – certified internally managed AIF/AIFM – calculates and monitors the relevant threshold depending on the value of managed assets, including all assets acquired through the use of the lever effect, in compliance with the requirements of art. 3-4 Regulation no.10/2015.

#### *Chapter 5*

### **Calculation of net asset value per share. Reporting**

Net asset value per share is calculated according to national legislation by EVERGENT Investments, within the administrative functions it exercises.

EVERGENT Investments has fully standardized calculation procedures and methodology for the calculation of net asset value per share, through:



- (a) internal work procedures regarding *Net Asset Calculation*, which are connected to the *asset portfolio monitoring procedures* and the *(individual) assets evaluation procedure, in compliance with international valuation standards*
- (b) *work procedures* with the depository, annexes to the Deposit and Custody Agreements that include provisions for the calculation and certification of net assets value.

The calculation of net asset value per share (NAV) is made by EVERGENT Investments on a monthly basis and in case of capital increase or decrease, using a specialized IT application that transposes assets evaluation rules. The Depositor of the assets certifies the situation.

EVERGENT Investments reports them to BVB and displays them on its website [www.evergent.ro/raportari](http://www.evergent.ro/raportari) periodice/activ net lunar.

- monthly - “Status of EVERGENT Investments’ Assets and Liabilities” up to the 15<sup>th</sup> of the following month (form as per regulations in force)
- quarterly - “Status of EVERGENT Investments’ Assets” – detailed presentation of assets categories, with the quarterly report of the Board of Directors (form as per regulations in force -).

At the same time, in the monthly Newsletter– drafted in Romanian and English (BVB, [www.evergent.ro](http://www.evergent.ro) and mailing list shareholders) we present relevant data concerning EVERGENT Investments’ assets: structure, exposure on activity sectors, NAV evolution, price, discount, tip companies.

In case it is ascertained that an asset has been improperly valued, as soon as this situation becomes known, the Asset Evaluation Office informs the executive management which orders that the value of that particular asset be revised to correct the infringement. The remedy of value differences or other issue occurred on assets values is made within 3 working days from the date the error is identified.

The revision process targets the reasonable character of each value and includes:

- price verification through comparison with prices coming from external sources and prices over time
- value validation by comparing the prices achieved with recent accounting values
- examination of the reputation, coherence and quality of the valuation sources used
- comparison with values generated by a third party
- examination of derogations and their standardization
- identification and analysis of the differences that seem unusual or that vary depending on the reference level set for the asset in question
- identification of obsolete prices
- comparison with the price of any other connected assets
- analysis of the entry data used to set the assets’ price.

The corrected NAV value (which includes the value correction of assets on individual levels) in connection with the reporting obligations foreseen under chapter 5, will be

notified to investors (BVB, [www.evergent.ro](http://www.evergent.ro), mailing list shareholders):

- either as soon as the error is corrected, in case the error is significant
- or in the following reporting document, in case the error is insignificant

## Chapter 6

### **Risks connected to professional responsibility**

The risks connected to professional responsibility are covered from own additional funds, in compliance with article 9 line (7) Directive 2011/61/EU regarding the loss or damage risks caused by a relevant individual through negligence in fulfilling his/her activities, for which AIFM bears legal responsibility, regarding “improper assets evaluation or calculation of share price” (art.12 line (2) letter e Regulation).

## Chapter 7

### **Tasks of the Depository regarding the evaluation of shares foreseen in art. 94 of EU Regulation no. 231/2013**

**Depository Agreement.** EVERGENT Investments enters a written agreement with the Depository. The Depository Agreement and Work Procedures regulate the flow of information considered necessary to allow the depository to fulfill its tasks, with the purpose of providing a high level of investors’ protection, in compliance with legal provisions.

The Depository Agreement and Work Procedures answer to the legal requirements and include at least provisions regarding:

- (a) the actual rights and obligations of the depository and of EVERGENT Investments;
- (b) safekeeping of all EVERGENT Investments’ assets by the depository;
- (c) assets categories in which EVERGENT may invest and geographical areas where EVERGENT Investments intends to invest.
- (d) way in which the depository meets the supervision and control functions:
  - evaluation of activity risks and complexity: the depository evaluates the risks connected to the nature, size and complexity of EVERGENT Investments’ strategy and organization, in order to draft certain proper supervision procedures for the company and the assets it invests in, which are later implemented and applied;
  - control over the assets that are not in custody: the depository makes sure that there are procedures so that the registered assets cannot be assigned, transferred, exchanged or delivered without it itself, or its assigned individual be informed regarding such transactions and that relevant third parties offer access to proving documents regarding transactions;
  - cash flow monitoring: proper procedures to identify at the end of the work day, the significant cash flows, and especially those that might present inconsistencies with the company’s activity;

- responsibilities regarding EVERGENT Investments' procedures: the depositary makes sure that the company sets and implements a series of procedures, such as evaluation procedures;
  - access to accounting records.
- (e) statement to attest that the depositary's responsibility is not affected by the transfer of its custody functions, with the exception of the case when it is exonerated from responsibility, in compliance with legal provisions.
- (f) the validity period and conditions for the modification and cancellation of contract, including the situation that might lead to the cancellation of the contract and the details regarding the cancellation procedure, and, depending on the case the procedures through which the depositary must submit all relevant information to entities it succeeds.
- (g) confidentiality obligations that are applied to the parties in compliance with documents with law power and applicable administrative documents.

The Depositary's tasks regarding the evaluation of shares foreseen in art. 94 EU Regulation no. 231/2013 are:

- (a) constantly verifies if proper and consequent procedures have been set and applied for asset valuation, in compliance with art. 19 Directive 2011/61/EU and with its application measures, as well as with the company's rules and memorandum of association.
- (b) makes sure that the valuation policies and procedures are actually applied and revised periodically.
- (c) the depositary's procedures must be applied with a frequency that corresponds to the frequency foreseen for AIF valuation policy, defined by art. 19 Directive 2011/61/UE and in its measures of application.
- (d) in case the depositary considers that the value of AIF shares has not been calculated in compliance with applicable law, with AIF rules or art. 19 Directive 2011/61/EU, it informs AIFM and/or AIF and makes sure that corrective measures are taken in due to time, in the interest of AIF investors.

In case the depositary thinks that the errors could not have been solved during current operations, it starts an escalating procedure, through which: it requests that AIFM communicate the remedy measures and deadline, deadline that cannot be longer than 3 working days from the notification date; it will make sure that the error has been corrected abiding by applicable regulations, AIF's rules and memorandum of association; will notify FSA on the day following the deadline expiry date, at the latest.

In case the error cannot be corrected, the Depositary will notify FSA on the first working day following the expiry of the deadline in which AFIM should have corrected the error.

### *Chapter 8*

#### **Revision of the Policy**

The revision of the *Policy and Procedure for assets evaluation and calculation of unitary value of net assets per share (NAV)* is made at least once a year ( in the first quarter).

Revision is mandatory in case of:

- legislative modifications and modifications of legal regulations regarding assets evaluation rules
- before EVERGENT Investments engage in a new investment strategy or invest in a new asset type that is not object of the current evaluation policy
- Decision of the Board of Directors to revise the valuation procedures and methods, following recommendations made by a third party, and following an analysis regarding their adequacy and actual application.

The revision process for the policies and procedures for assets valuation is made with assistance from the risk management position and consultation of the depositary.

**President & CEO**  
**Claudiu Doros**