

Review Guidelines

Version 5.1
August 8, 2017

Evaluation process time frame¹:

| <i>Submission deadline</i> | | |
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| | <u>Eligibility Check (IF)</u> | 1 week |
| <i>Estimated duration</i> | <u>First Level of Review (Peer Review):</u> | 4 weeks |
| | <u>Second Level of Review (IF's independent Investment Committee Review):</u> | |
| | Pre-selection Meeting* | 1 week |
| | Preparation of Pitch Presentations by Preselected Applicants | 2 weeks |
| | <u>Financing Decision Final Pitch Event**</u> | 2 week |

* To be held via conference call

** To be held live in Belgrade, with all preselected Applicants presenting their projects in a live pitch event

¹ The given dates are an approximation. The IF reserves the right to modify the dates. All participants in the process will be notified in due time.

1. REVIEW PROCESS

The Innovation Fund (IF) policy is intended to ensure that Applications submitted to the IF are evaluated on the basis of a process that is timely, fair and based on merit.

Therefore the review process is organized in the following way:

- Eligibility check for all received Applications
- The first level of review (*Peer-Review*)
- The second level of review (*review and preselection by the independent Investment Committee*)
- Final decision on financing (*by the independent Investment Committee*)

The IF staff conducts eligibility checks for all received Applications to ensure their completeness and compliance with Program requirements. The IF verifies the integrity of all submitted documents, confirms that appropriate document templates were used and that the Application satisfies all the necessary eligibility and application criteria as described in the Grant Manual. All Applications which meet these criteria will be considered eligible and moved to the first level of review.

The first level of review (*Peer-Review*) is carried out by peer reviewers composed primarily of scientists and industry experts who have experience and knowledge in relevant disciplines and industry areas. The Peer Reviewers do not make any decisions regarding the selection of projects for financing. Instead, their expertise serves as additional input to the Investment Committee.

The second level of review (*review by the independent Investment Committee*) is performed by the independent Investment Committee (the IC) composed of 5 members with international expertise in applied research, private sector industry, international finance and venture capital, and entrepreneurship.

Based on its own analysis of all eligible Applications, the IC will pre-select the most promising Applications for financing under the IF's MINI GRANTS Program, while also taking into consideration the results of the peer-review. Each preselected Applicant will then prepare a 10 minute pitch presentation for their project and this presentation will be given live before the Investment Committee in Belgrade during the financing decision final pitch event.

The final decision for financing under the MINI GRANTS Program is made by the IC with the consent of the IF Board of Directors². The IC is responsible for selecting Awardees for financing based on the complete Application, the result of the peer review and the results of the final pitch event.

2. EVALUATION CRITERIA

The Applications are evaluated based on the following criteria:

- Management and key personnel credentials and ability of the company to deliver;

² The IF Board of Directors is responsible for approving the Investment Committee's decision for use of the IF funds, based on the availability of funds and in accordance with the law, adopted IF documents (such as IF Multiannual Work Program, IF Annual Work Program, IF Annual Financial Plan) and international agreements. The IF Board of Directors is not responsible for the selection of awards for financing.

- Innovative technology, product or service; usefulness and uniqueness of the innovation; clear IP position;
- Clear market need and commercialization potential;
- Potential for revenue/partnership with a strategic partner within two to three (2-3) years after the project start;
- Viable implementation methodology and capabilities;
- Use of funds and adequacy of the project budget;
- Technology and implementation risk management.

Only Project Proposals satisfying and excelling in all the above mentioned criteria will be recommended for financing by the Investment Committee.

The following guidance has been given to support the review and selection process:

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| <p>Management and key personnel credentials and ability of the company to deliver</p> | <ul style="list-style-type: none"> • Does the management team and key personnel have adequate skills, education, knowledge, track record and experience to execute the proposed project? |
| <p>Innovative technology, product or service; usefulness and uniqueness of the innovation; clear IP position;</p> | <ul style="list-style-type: none"> • Will the proposal result in improvement of existing technologies, products or services? • To what extent does the proposal suggest and explore unique concepts or applications? • Does the proposal lead to enabling technologies for further discoveries? • Does the proposed technology, product or service have potential for creation of new IP? • Does the Applicant have full ownership/rights to develop and use the technology/product or service being developed? • Does the Applicant's technology, product or service infringe or violate IP rights of others? |
| <p>Clear market need and commercialization potential</p> | <ul style="list-style-type: none"> • Does the proposed approach have potential to lead to a marketable technology, product or process? • What is the specific market for the technology, product or process? Is it a growing market? Are customers/users definable? • Evaluate the competitive advantage of this technology vs. alternate technologies that can meet the same market needs. • Is the technology, product or service competitive and what are the competitive threats? |
| <p>Potential for revenue/partnership with a strategic partner within two to three (2-3) years after the project start;</p> | <ul style="list-style-type: none"> • Does the proposed technology, product or service have potential to generate revenue within 2-3 years after the project start? • Is the estimate of the target market realistic and who are expected to be the main competitors? • To what extent the proposed technology increases company's potential to engage in collaboration with strategic partner? |



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| <p>Viable implementation methodology and capabilities</p> | <ul style="list-style-type: none"> • Is the proposed plan a sound approach leading towards commercialization? • Are the overall methodology and activities well-reasoned and appropriate to accomplish the proposed development of the technology, product or service? • Is there sufficient access to resources (materials and supplies, analytical services, equipment, facilities, etc.) to bring the project to successful conclusion? |
| <p>Use of funds and adequacy of the project budget</p> | <ul style="list-style-type: none"> • Are the items listed in the budget in line with the proposed activities (e.g. man hours, materials)? • Are the proposed costs realistic? • Would the budget benefit from any alterations or corrections (e.g. more funds allocated to IP protection, reducing consultancy costs)? |
| <p>Technology and implementation risk management</p> | <ul style="list-style-type: none"> • Are potential implementation problems, risks, and proposed solutions clearly identified and presented? • Will the proposed approach establish the feasibility and will the particularly higher risk aspects likely to be managed appropriately? |

3. ELIGIBILITY CHECK FOR ALL RECEIVED APPLICATIONS

Each Application received will be evaluated and assessed for eligibility using the following criteria:

- The Applicant is a legal business unit, incorporated under the applicable/current Serbian Company Law, registered at Serbian Business Registration Agency (SBRA) and located in Serbia;
- The Applicant is a private sector (at least 51% privately owned), micro- or small-company³;
- Applicant has been incorporated for no longer than three (3) years at the time of Application submission;
- The majority of Applicant ownership is Serbian⁴.

Applicants that meet any of the following criteria are NOT eligible to apply for the MINI GRANTS Program:

- Applicant has raised EUR 500,000 or more in total financing (equity, debt or grant) from public or private sources;
- Applicant is majority owned (greater than 50%) by a parent company that is an operating or holding company that:
 1. Has raised/received EUR 500,000 or more in total financing (equity, debt, grant or combination thereof) from public or private sources, or
 2. Has revenue, or is part of the group that had revenue over EUR 2,500,000 in any prior years.

Applicant has received financing from any other IF financing program for the same activities;

³ European Commission - 2003/361/EC, EU definition of SMEs
http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

⁴ Owned by Serbian citizens (passport holders)

After the Application is submitted, the IF staff will conduct a desk review of the eligibility and completeness of the submitted Application as well as initial screening of the submitted documents (where applicable). Only fully completed, signed, and electronically submitted Applications will be considered for further evaluation. During this stage, the IF will provide every Applicant whose Application was initially determined to be administratively deficient with a 72-hour window to rectify the identified deficiencies. Ineligible Applicants will be notified of their ineligibility by email, after the IF completes eligibility review of all submitted Applications.

If an Applicant wishes to file a fact-based objection to the outcome of the eligibility review (citing evident omissions, oversights or mistakes made by the IF staff), they may submit a formal letter of objection to the IF, written in English and not exceeding 500 words within 8 calendar days from the day of receiving the original eligibility review decision notification.

4. THE FIRST LEVEL OF REVIEW: PEER REVIEW

The peer review includes a technical review carried out by the international peer reviewers selected by IF and administered by the IF Program Managers. IF Program Managers are responsible for ensuring that each Application receives an objective and fair initial peer review, and that all applicable laws, regulations, and policies are followed.

IF Program Managers:

- Analyze the content of each Application, and check it for completeness;
- Document and manage conflicts of interest;
- Assign at least two appropriate peer reviewers to each Application based on the corresponding field of industry and science, so that the peer reviewers can conduct their evaluation and assign individual scores for each criterion;
- Attend and oversee all administrative and regulatory aspects of peer review.

Peer Reviewers:

- Declare any conflicts of interest with regard to specific Applications presented to them, in accordance with the IF Confidentiality and Prevention of Conflict of Interest Policy;
- Receive access to the Applications for review;
- Prepare a written evaluation (using the online Peer Review Evaluation Form on the IF Portal) for each Application assigned, based on the defined evaluation criteria and judgment of merit;
- Assign a numerical score (from 1 to 4, with 1 being the poorest and 4 being the best) to each evaluation criterion.

Peer Review Procedures

The IF Program Manager will assign reviewers and provide them with the username and password to access the Applications on the IF online application portal.

Within 2 days of receiving the projects from the IF, Peer Reviewers will:



- Examine review assignments, review materials (including Applications), and instructions;
- Review all Applications assigned to them for conflicts of interest or the appearance of conflicts of interest and inform the IF Program Managers if any exist;
- Review each assigned Application to verify that the proposals match the reviewers' area of expertise and inform the IF Program Managers of any concerns.

Within 4 weeks of receiving the projects from the IF, Peer Reviewers will:

- Read Applications, consider each of the evaluation criteria, and give a separate score for each based on the technical merit, and write detailed evaluation comments for each of the assigned Applications using the Peer Review Evaluation Form;
- Complete and submit the Peer Review Evaluation Form for each Application assigned to the IF online application portal.

Note: *should the IF establish that the Peer Reviewer has not provided sufficiently elaborate comments to justify the claims and conclusions made for any of the evaluation criteria, the IF reserves the right to ask of the Peer Reviewer to expand upon their comments and supplement their opinion with additional explanations.*

Scoring

Peer Reviewers will consider each of the evaluation criteria (Section 2) in the evaluation and give a separate score for each. The scoring system utilizes a 4-point rating scale (4 = excellent; 3 = good; 2 = acceptable; 1 = poor). The total score for an Application is the sum of the scores given to each criterion, producing a maximum of 28 points. All projects will be scored based on the average score of at least two peer-reviews and ranked accordingly for the IC. Taking the average score into account, if an Application scores less than 2 on any of the evaluation criteria or less than 15 points overall, the Application may automatically become ineligible for funding.

Peer Reviewer scoring represents only a segment of the overall evaluation and decision-making process. The IF's independent Investment Committee is responsible for selecting Awardees for financing based on its own analysis of each complete Application, the result of the peer review and the result of the final pitch event.

5. SECOND LEVEL OF REVIEW: INDEPENDENT INVESTMENT COMMITTEE REVIEW

The second level of review is carried out by the independent Investment Committee (IC) and administered by the IF Program Managers. IF Program Managers are responsible for ensuring that each Application receives an objective review, and that all applicable laws, regulations, and policies are followed.

This level of review has two sub-phases. The first part of the process is the preselection phase – in this phase, the IC preselects the most promising Applications. These Applicants are then notified about advancing to the next round, while those Applicants whose Applications were not preselected are notified about the reason for their rejection. The preselected Applicants are then obliged to

prepare a 10 minute PowerPoint presentation which they will use to present their Applications to the IC on the financing decision final pitch event.

IF Program Managers:

- Attend and oversee administrative and regulatory aspects of the IC meetings;
- Document and manage conflicts of interest situations;
- Ensure that all the documentation including peer review evaluation and any additional reports requested by the IC are available on the IF online application portal or via email;
- Assign Applications to each IC member for discussion at the Pre-Selection Meeting;
- Ensure that the pitch presentations for all preselected Applications are submitted by the preselected Applicants and made available to the IC at least seven (7) days before the final decision pitch event;
- Prepare minutes of the IC Pre-Selection and Financing Decision meetings;
- Prepare and send feedback to the Applicants for all Applications reviewed.

Investment Committee Members:

- Declare conflicts of interest with specific Applications in accordance with the IF Confidentiality and Prevention of Conflict of Interest Policy;
- Receive access to Applications approximately one month prior to the scheduled Pre-Selection Meeting;
- Prepare written evaluations for each Application, based on the evaluation criteria and judgment of merit (using Investment Committee Pre-Selection Form for the pre-selection and Investment Committee Financing Decision Form for the final selection), and taking into account the feedback from the peer reviewers;
- Pre-select Applications for further analysis;
- Receive access to PowerPoint presentations which the preselected Applicants will use during the financing decision final pitch event at least one week before the event;
- Select Applications for financing following the financing decision final pitch event.

Investment Committee Review Procedures

The IF Program Manager will provide the IC with the username and password to access the Applications on the IF online application portal and assign a number of projects to each IC member based on their primary field of expertise.

Within 1 week of receiving the projects from the IF, the Investment Committee members will:

- Examine Applications, review materials and instructions;

- Review all Applications assigned for conflicts of interest or the appearance of conflicts of interest and inform the IF Program Managers if any exist.

Within 3 weeks of receiving the projects from the IF, the Investment Committee members will:

- Read all assigned Applications, consider each of the evaluation criteria and the peer reviews;
- Prepare for discussions at the Investment Committee preselection meeting.

During the Pre-Selection Meeting:

- Each IC member will summarize the Applications assigned to them and present it to the Investment Committee, taking into account the peer review comments;
- IC members will discuss all Applications and make their decision (preselected/not preselected) via consensus;
- The designated IC member will write their evaluation comments for each of the assigned Applications using the Pre-Selection Form on the IF Portal;
- The designated IC member will complete the Pre-Selection Form and assign the appropriate status (preselected or not preselected) for each of the assigned Applications on the IF online application portal.

Feedback to the Applicants whose Applications were not preselected will include IC comments and recommendations (where applicable).

If an Applicant wishes to file a fact-based objection to the outcome of the preselection decision (citing evident omissions or mistakes made by the Investment Committee or the IF staff), they may submit a formal letter of objection to the IF, written in English and not exceeding 500 words within 8 calendar days from the day of receiving the original preselection decision notification.

In regards to the Environmental Screening Questionnaire (ESQ) evaluation, the pre-selected Applicants will be informed about the results of the ESQ evaluation only if the EMP is required. The review of the ESQ is conducted by the IF independent Environmental Expert.

When the project requires the preparation of the EMP, it is the responsibility of the Applicant to prepare the EMP and submit it within two (2) weeks after feedback on the ESQ is provided. The guidance on the content of the EMP is provided in the Environmental and Social Management Framework available on-line (www.innovationfund.rs). In cases where the project requires an EMP and the Applicant does not prepare it, that Application would become ineligible for further evaluation.

During the Financing Decision Live Pitch Meeting:

- The IC will provide each Applicant with a 10 minute time window to present their Applications through a PowerPoint presentation, followed by a 15 minute time window for specific questions that the IC may have for each proposal;
- The IC will re-discuss all Applications which participate during the live pitch meeting and select Applications for financing based on their overall quality and the availability of funds;

- IC will approve Applications for financing, complete the online IC Financing Decision Form for all previously preselected Applications and assign the appropriate status (approved or not approved) on the IF online application portal.

Feedback to the Applicants (preselected) will include the IC written comments from the Financing Decision Form. Following the Investment Committee's decision to award financing, the Applicant will be notified about the positive decision on financing and subsequently offered to sign the Financing Agreement. In case any significant changes arise within the structure of a Project that was approved for financing before the signing of the Financing Agreement, the independent Investment Committee reserves the right to alter and adjust its decision in accordance with these changes.

While making the final decision on financing, the IC will take into consideration the total amount of available funds for the public call. If the number of quality Applications that the IC would approve for funding exceeds the total available budget allocated for that particular public call, the IC will then select and rank preferably three (3) backup projects from the list of those Applications which were preselected, but not ultimately approved for financing. These Applications are to be subsequently offered financing by the IF should any of the originally approved ones fail to sign the Financing Agreement.