

**ENVOLVE CAPITAL UAB
MANAGEMENT COMPANY'S SUSTAINABILITY NOTICE**

I. Sustainability strategy

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (**SFDR**) requires managers of alternative collective investment undertakings to disclose:

- (a) whether and how they integrate Sustainability Risks¹ (**Sustainability Risks**) into the investment decision-making process (Article 3 SFDR);
- (b) how the remuneration policy of the company is consistent with the integration of Sustainability Risks into investment decision-making processes (Article 5 SFDR).

The sustainability policy (**Sustainability Policy**) of Envolve Capital UAB (**Management Company**) provides the objective of the Management Company's activities to establish and/or manage collective investment undertakings (**Funds**) aimed at sustainable investment. In pursuing this objective, all the Funds managed by the Management Company invest in the construction and operation (production of electricity) of solar power and wind plants as well as energy storage systems for electricity generated from renewable energy sources (solar and/or wind power) built or ready to build (RTB projects) in the territories of Baltic states, Poland and other CE countries.

Sustainability Policy requirements are applied to all investment decision-making processes taken in relation to the activities of the Funds, in order to ensure that investments are in line with the Management Company's sustainability strategy, i.e. the investment objects comply with the requirements of Article 9 of the SFDR for products aimed at sustainable investment.

II. Integrating Sustainability Risks into the investment decision process

The Management Company integrates the assessment of Sustainability Risks during the investment decision-making process and investment management of the Funds in accordance with the Sustainability Policy, including:

- (a) complies with the sustainability requirements of the legal acts applicable to the Management Company and the Funds;
- (b) when making investment decisions of the Funds also:
 - (i) performs a comprehensive Sustainability Risks due diligence procedure;
 - (ii) assesses the Sustainability Risks associated with the investments of the Funds;
- (c) integrates Sustainability Risks management/mitigation measures into the investment transaction documentation;
- (d) monitors compliance with established Sustainability Risks management/mitigation measures established at the Fund (financial product) level;
- (e) investigates, assesses, and resolves possible violations of the principles set out in the Sustainability Policy and applicable sustainability legislation (in response to received complaints and/or upon identification of a possible violation during internal inspection/control);
- (f) provides information to the investors of the Funds on how the Management Company integrates Sustainability Risks into the investment decision-making processes of the respective Funds;
- (g) continuously improves the Sustainability Policy, practices, and tools for its implementation at the level of the Management Company and the Funds, taking into account changes in regulations and, as far as attainable, good practices.

Before making investments, a comprehensive sustainability due diligence is organised by the Fund Manager using a direct assessment method. The process involves internal experts (including analysts, sustainability, compliance and

¹ Sustainability risks shall be understood as they are defined in the SFDR, i.e., an environmental, social or management event or situation that, if it occurred, could have a real or potential material adverse impact on the value of the investment.

risk officers of the Management Company) as well as external consultants and is carried out in accordance with the procedures established in the Management Company's Sustainability Policy. This policy is based on the core principles set out in the OECD Due Diligence Guidance for Responsible Business Conduct.

Sustainability Risks are assessed using an impact-based approach, whereby the Fund Manager conducts a direct analysis and evaluation of the Sustainability Risk exposure, rather than relying on external sustainability rating agencies' standardised ratings of the respective entity (investment).

Based on the findings of the sustainability due diligence, the following actions are taken:

- (a) a detailed list of relevant Sustainability Risks is compiled;
- (b) the materiality of Sustainability Risks is assessed in accordance with the procedure and Sustainability Risk matrix set out in the Risk Management Policy of the Fund's Management Company, which defines acceptable levels of Sustainability Risk;
- (c) where appropriate and based on the outcome of the materiality assessment, a plan for improvement of sustainability factors is prepared.

At the investment decision-making stage, the list of Sustainability Risks identified during the due diligence process, together with the proposed risk mitigation or management measures, is integrated into the overall investment risk assessment process and reflected in the investment decision itself. The investment decision must include a discussion and/or justification of the Sustainability Risks associated with the specific investment target, how these risks will be managed, and what impact they may have on the terms of the transaction (including, but not limited to, the investment price, incorporation of specific conditions related to Sustainability Risk management and/or enhancement of sustainability factors in the transaction documentation, etc.).

Following the investment decision and inclusion of a new investment into the Fund's portfolio, the management of all associated risks (including Sustainability Risks) becomes an integral part of the Management Company's overall risk management framework. This process is carried out on an ongoing basis by the Fund Manager and is periodically reviewed by the Risk Officer of the Management Company to ensure that:

- the risk limits approved by the Management Board of the Company are not exceeded;
- risk management action plans, prepared either before or after the investment transaction, are duly and timely implemented;
- newly emerging or materially changing risks are promptly identified, assessed and managed in accordance with the procedures set out in the Risk Management Policy and other governing documents of the Management Company;
- all breaches or incidents are identified in a timely manner, properly recorded and appropriately remediated in accordance with the internal control and compliance requirements of the Management Company.

III. *Compatibility of Remuneration Policy with Sustainability Policy*

The Remuneration Policy of the Management Company stipulates that all current and future risks are considered when allocating the variable (performance-based) part of the remuneration to the Management Company's employees; the variable remuneration part must be consistent with and promote sound and effective risk management of the Management Company and the Funds. Considering that Sustainability Risks comprise an integral part of the risk assessment process of the Funds, the Remuneration Policy of the Management Company is compatible with the sustainability strategy and the Sustainability Policy.

IV. *Activities in which the Funds do not invest*

The Funds do not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

- a) whose business activity consists of an illegal economic activity (i.e., any production, trade, or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes); or
- b) which substantially focus on:
 - (i) activities related to human cloning for reproductive purposes;
 - (ii) the production of and trade in tobacco and distilled alcoholic beverages and related products;

- (iii) the manufacture, trade, and financing of weapons, ammunition, combat vehicles, explosives, and their components, except when such activities are carried out as part of specific and clearly defined EU policy implementation measures;
 - (iv) casinos, gambling, or equivalent related activities (such as equipment manufacturing, supply, maintenance, etc.)
 - (v) other activities in which investments are restricted under the requirements of the European Investment Bank (EIB) or other international multilateral investment institutions or institutional investors whose investments constitute a significant portion of the respective Fund's investments;
 - (vi) the research, development or technical applications relating to electronic data programs or IT/technical software solutions, which aim specifically at supporting any activity referred to under items (i) to (v) above; internet gambling and online casinos; or pornography, or are intended to enable to illegally enter into electronic data networks; or download electronic data;
- c) in addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (the "GMOs"), the Fund shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

The companies managed by the Funds do not invest in (a) assets or portfolio companies that are traded on a public and/or regulated market, or (b) other funds, investment schemes or accounts providing for the payment of a management fee or similar remuneration and/or of a performance-based remuneration (e.g., carried interest).

V. Policy on the exercise of voting rights

The Funds do not invest in companies the securities of which are publicly traded and/or traded on regulated markets or other multilateral trading facilities. Investments are usually made directly and/or indirectly through the acquisition of a 100 %/controlling stake in unlisted companies, so the Fund can influence the decisions of the investment entity (company), including on issues related to sustainability. Considering the sustainability strategy of the Company and the investment strategy of the respective Fund, the Funds exercise their voting rights in such a way that the sustainability objectives set out in the Sustainability Policy and the founding documents of the Funds are complied with to the maximum extent possible.

VI. International standards

To determine the compliance of the (potential) investment with the investment strategy of the Fund and the requirements of Article 9 of the SFDR, the Management Company shall perform a thorough examination of Sustainability Factors (**Sustainability Due Diligence**) before making an investment decision. In conducting the Sustainability Due Diligence, the Management Company shall follow the principles of the Organization for Economic Co-operation and Development (**OECD**) set out in Due Diligence Guidance for Responsible Business Conduct, which are also integrated into the Sustainability Policy.

The Management Company belongs to a group of companies the controlling company of which, Modus Group, is a member of the UN Global Compact initiative, so the Company also operates in accordance with the principles of the UN Global Compact. The Modus Group's annual report on compliance with the principles of the UN Global Compact also includes performance indicators of the Management Company.

VII. Division of functions and accountability

The Board of the Management Company approves the Management Company's sustainability strategy, Sustainability Policy and the processes and documents related to their implementation (e.g., Code of Business Ethics, Whistle-blower Protection Policy, etc.), periodically evaluates whether the approved strategies and processes work effectively and updates them, as necessary.

The CEO of the Management Company is responsible for the proper implementation of the sustainability strategy, policies, and processes as well as for the submitting of necessary improvement proposals to the Board.

The Fund Managers are responsible for the day-to-day implementation of the objectives and processes set out in the sustainability strategy and Sustainability Policy, i.e., conducting a thorough due diligence of Sustainability Risks, and integrating of the identified Sustainability Risks into the investment decision process.

The Management Company's Sustainability, Risk, and Compliance Officers participate in ensuring the efficiency of the processes set out in the Sustainability Policy, other internal procedures of the Management Company, and the founding documents of the Funds as well as ensure compliance with regulatory requirements.

VIII. Transparency

The Management Company publishes sustainability-related information of the Management Company and the Funds in accordance with the SFDR, the Taxonomy Regulation and the supplementing delegated legal acts, including:

- (a) this Management Company's Sustainability Notice - information on how the Management Company integrates Sustainability Risks into the investment decision processes, how the Remuneration Policy is compatible with the Sustainability Policy – in the the "Sustainability information" section of the Management Company's website (www.envolve.capital);
- (b) Management Company's notice on not considering the principal adverse impacts (PAI) of investment decisions on sustainability factors at the level of the Management Company, as well as on the assessment of PAI on sustainability factors at the level of each Fund individually, is available in the "Sustainability Information" section of the Management Company's website (www.envolve.capital).
- (c) the legally required information about each Fund:
 - (i) statements on the PAI of investments decisions on sustainability factors prepared at the level of each Fund and the information disclosed on the website as required by Article 7 of the SFDR and Article 37 of the SFDR RTS regarding financial products aimed at sustainable investments – available to each Fund's investors in the investor portal on the Management Company's website (www.envolve.capital) at <https://investors.envolve.capital/>;
 - (iii) in the annual Fund reports, presenting the periodic information required by applicable legislation.

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