

REGULATION (EU) 2019/2088 OF 27 NOVEMBER 2019 ON SUSTAINABILITY-RELATED DISCLOSURES IN THE FINANCIAL SERVICES SECTOR AS AMENDED ("SFDR Regulation")

The SFDR regulation forms part of the European Commission's action plan on sustainable finance and imposes transparency obligations and periodic reporting requirements on financial market participants (including authorised and registered managers of alternative investment fund managers (AIFMs)) at both product and entity level.

Stratum II (“Stratum II”)

1. SUMMARY

Stratum II promotes environmental or social characteristics within the meaning of Article 8 of the SFDR Regulation. The investment policy is expected to support sustainable and green transformation. The asset selection is based on exclusion criteria (negative screening) pursuant to EIF Guidelines and an active targeting of companies that meet the 2X criteria and of companies classified as contributing to CA&ES objectives.

Stratum II will continuously engage with underlying portfolio companies to monitor and measure compliance with the ESG policy applicable to Stratum II. No benchmark index has been designated for the achievement of the environmental and social characteristics promoted by Stratum II.

2. NO SUSTAINABLE INVESTMENT OBJECTIVE

Stratum II promotes environmental or social characteristics but does not have as its objective sustainable investment.

3. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

Stratum II aims to promote sustainable and green transformation covering technologies and business models that contribute to the energy transition, resource efficiency, mobility, circular economy, agriculture and broader cleantech applications. It excludes investments in certain activities potentially harmful to the environment or in breach of on international social, labour and human rights norms. It aims to promote climate action and/or environmentally sustainable objectives by investing a portion of its assets in portfolio companies meeting the EIF's criteria for climate action and environmental sustainability operations in EIF's intermediated SME and mid-cap financing (“**CA&ES**”). Stratum II will also aim to promote gender equality by targeting a portion of its assets in portfolio companies meeting the 2X challenge.

4. INVESTMENT STRATEGY

(i) Investment strategy used to meet environmental and social characteristics

Stratum II focuses its investment strategy on enterprises operating within proven sectors, including technology and digitalisation-related businesses, B2B and B2C service providers, and value-added manufacturing companies, supporting themes such as:

- (a) digital transition - encompassing artificial intelligence, cybersecurity, quantum computing, IoT, 5G, edge computing, and related enabling technologies;

- (b) industrial technologies - including automation, robotics, advanced manufacturing processes, semiconductors, advanced materials, and other technologies that modernize and enhance industrial production; and
- (c) sustainable and green transformation - covering technologies and business models that contribute to the energy transition, resource efficiency, mobility, circular economy, agriculture, and broader cleantech applications.

Subject to these specific provisions, Stratum II shall invest investment capacity in Small Medium Enterprises (SMEs) and Small Mid-Caps (SMCs) jointly.

(ii) Policy to assess good governance practices of the investee companies

Stratum II will ensure that ESG considerations and factors are included into the decision making and approval process relating to an investment in investee companies.

Additionally, the Fund will ensure that ESG-related measures are implemented throughout the governance structures. They will also provide annual monitoring of ESG management and include ESG-related issues into reports of portfolio companies.

5. PROPORTION OF INVESTMENTS

Stratum II will invest solely in SME or Mid-Cap enterprises.

- It will target to invest 20% of the aggregate invested capital in portfolio companies meeting the 2X criteria (2X Criteria — 2X Challenge).
- It will aim to invest an amount at least equal to 10% of aggregate invested amounts in Portfolio Companies classified as contributing to CA&ES objectives in accordance with the latest criteria published in the EIF's website.

Accordingly, a minimum proportion of 20% of investments are expected to be aligned with the promoted environmental and/or social characteristics. The CA&ES and 2X targets may overlap, as a given portfolio company may simultaneously satisfy both sets of criteria.

6. MONITORING OF ENVIRONMENTAL AND SOCIAL CHARACTERISTICS

An annual ESG reporting (via questionnaire) consisting of more than 100 specific ESG-related data points will be made per individual portfolio company. Such questionnaire is updated annually in line with the Invest Europe methodology employed by EIF.

7. METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The following specific environmental and sustainability indicators provided by EIF's Guidelines and Climate Action, shall be used to measure the attainment of the environmental and social characteristics:

- Energy efficiency and buildings indicators: estimated energy savings, renewable energy production, energy infrastructures, agriculture.
- Climate change adaptation indicators (investments in climate adaptation plans and strategies, such as water management solutions, disaster prevention).
- Circular Economy Indicators: demonstrating net resource savings through reuse, repair and recycling activities.

8. DATA SOURCES AND PROCESSING

The GP makes use of the data received pursuant to the ESG questionnaires received above. The GP will apply its own ESG analysis to the information received. The data received is updated at least annually.

9. LIMITATIONS TO METHODOLOGIES AND DATA SOURCES

The main methodological limitations include:

- the limited availability of data for conducting ESG analysis;
- the absence of universal standards regarding ESG information;
- the absence of systematic third-party monitoring of ESG data;
- the limited comparability of data, as not all companies publish the same indicators;
- the use of proprietary methodologies, which rely on the experience and expertise of the GP team.

Such limitations do not affect how the environmental or social characteristics promoted by the Fund are met.

10. DUE DILIGENCE

The selection of companies by the investment team is based on exclusions criteria (negative screening) and scoring ESG (positive screening) aimed at identifying the companies with the best ESG criteria, using the methodology described above. Please note that appropriate environmental or social due diligence could be provided by external professional companies; and

Each portfolio company is then monitored on an ongoing basis by the investment team as described above.

11. ENGAGEMENT POLICIES

The GP strives to continually work with its portfolio companies on monitoring and evaluation of key ESG issues. ESG questionnaire is distributed annually to all portfolio companies and after careful analysis of ESG impacts, the GP encourages development in collaboration with all companies. Our goal is to obtain a shared understanding with management teams about the

environmental, social, and governance issues material to their business and to help ensure ongoing improvements in the management of the risks related to them.

12. DESIGNATED REFERENCE BENCHMARK

Stratum II does not use a reference benchmark.