

Transparency of the integration of sustainability risks

Pursuant to Article 3, Paragraph 1 of Regulation (EU) 2019/2088, according to which the Company is obliged to publish information on how sustainability risk is included in the investment decision-making process, the Company defines key areas and parts of business processes within which sustainability risk is recognized and involved in the decision-making and risk management process.

The Company has established an adequate risk management system which, through the Risk Management Policy, integrates sustainability risk in the Company's operations and the investment decision-making process. The company defines environmental and social risk within the sustainability risk, while governance risk is generally not significant, given that the Fund invests primarily in small and potentially medium-sized companies, but can be considered when needed. During each potential investment of the Fund, the Company evaluates the environmental and social risk using publicly available EBRD Environmental and Social Risk Categorization List and does not invest in projects/companies in industries that are categorized as high risk. Additionally, the Company does not invest in industries and companies engaged in activities that are defined as unacceptable (e.g., coal, oil, hazardous substances, gambling, weapons, etc.), and are defined in the EBRD's Environmental and Social Exclusion List.

Since the Company manages one closed-end private equity fund whose strategy and main goal is to improve the basic business processes and financial indicators of small and medium-sized enterprises for the purpose of selling in the short and medium term (1-5 years), the greatest potential risk of adverse impacts on sustainability factors reflects during the sale of the company (divestment phase) resulting with a potentially lower price caused by the impact of sustainability factors. Considering above mentioned, the Company primarily takes into account that the business activities carried out by companies have a low environmental and social risk, and that no increase in the sustainability risk is expected in the short and medium term (e.g., IT sector, education, services, type of production without significant impact on the environment, entertainment facilities, etc.). That way the Company does not allow the environmental and social risk to affect the value of the company during the sale or to be a limiting factor during the sale of the company.