

**PRE-CONTRACTUAL PRODUCT DISCLOSURE FOR FINANCIAL PRODUCTS
REFERRED IN ARTICLE 8 (1) REGULATION (EU) 2019/2088 (SFDR) AND ARTICLE
6 OF REGULATION (EU) 2020/852
(TAXONOMY)**

Product name: **Closed – end private equity investment fund for professional investors INVL BALTIC SEA GROWTH FUND** (hereinafter – “the Fund”)

Legal entity identifier: N/A

Does this financial product have a sustainable investment objective?

YES

It will make a minimum of **sustainable investments with an environmental objective**: ___%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**: ___%

NO

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

YES

NO

I Summary

The Fund focuses on building a diversified portfolio of companies in the Baltic Sea Region characterized by an attractive risk-reward profile.

The Fund promotes environmental and social characteristics. The environmental and social characteristics promoted by the Fund include the following:

- Integration of ESG factors in investment process
- Exclusion of investments that conflict with exclusion list (as given in the Investment Strategy of the Fund)
- Exclusion of the companies on the basis of controversial behaviour and controversial products
- Aiming to reduce negative environmental or social impact created by companies in which Fund has invested in
- Application of a proprietary ESG framework on a continuous basis in the Fund, supporting all Portfolio Companies in improving their ESG performance

Promoting environmental and social characteristics and ESG in general is part of the consideration of all investment decisions made in the Fund. Binding elements in the investment decision process include exclusions lists and ESG due diligence frameworks to ensure investments align with the environmental and social characteristics promoted.

More information on the environmental and social characteristics promoted by the Fund, including the binding elements of the investment strategy used to attain those characteristics, sustainability indicators used to measure the attainment of those characteristics, and a graphical breakdown of the Fund’s planned asset allocation, can be found in the remainder of this document.

II No sustainable investment objective

- What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

This Fund promotes environmental or social characteristics but does not have as its objective a sustainable investment.

- How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The “do no significant harm” principle applies only to those investments of the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?



The Fund does not invest in companies that violate these principles which are in accordance with the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises.

III Environmental or social characteristics promoted of the financial product

- What environmental and/or social characteristics are promoted by this financial product?

The Fund has integrated ESG considerations throughout the investment decision making process and the ownership period to ensure the Fund attains environmental and social characteristics. The Fund systematically monitors and assesses the status of Portfolio Companies on material themes mapped across the following ESG categories (as deemed relevant given the particular characteristics of each Portfolio Company): climate and energy; biodiversity; waste management; employee well-being; customer satisfaction; corporate governance; supply chain management; compliance; business ethics etc.

The Fund promotes the following environmental and social characteristics:

Characteristic	Description
Integration of ESG factors in investment process	The Fund seeks to ensure that Fund's activities comply with international standards in covering environmental, social and governance topics within activities of the Fund and its Portfolio Companies.
Exclusion of the investments that conflict with exclusion list	According to the Fund's ESG Policy, the Fund will not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to some sectors indicated in INVL Asset Management Responsible Investment & Sustainability Risk Integration Policy.
Exclusion of companies on the basis of controversial behavior and controversial products	<p>According to the Fund's ESG Policy, the Fund will not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies or other entities:</p> <ol style="list-style-type: none"> 1. 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); 2. or which substantially focus on: <ol style="list-style-type: none"> a. the production of and trade in tobacco and distilled alcoholic beverages and related products; b. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies; c. casinos and equivalent enterprises; d. the research, development or technical applications relating to electronic data programs or solutions, which <ol style="list-style-type: none"> i. aim specifically at: <ol style="list-style-type: none"> 1. supporting any activity referred to under items (a) or (b) (i) to (iv) above; 2. internet gambling and online casinos; 3. or pornography, or ii. intended to enable to illegally <ol style="list-style-type: none"> 1. enter into electronic data networks, or 2. download electronic data. 3. 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 (GMOs), we shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMO.
Aiming to reduce negative environmental or social impact created by companies in which Fund has invested in	Each Portfolio Company is examined during the investment cycle. The Fund is identifying the key findings in a variety of categories at each of the E/S/G parameters as deemed relevant and applicable given the particularities of the Portfolio Company itself and the industry it operates in. Given the identified ESG profile, KPIs are established for Portfolio Companies aiming to improve environmental or social impact.



Application of a proprietary ESG framework on a continuous basis in the Fund, supporting all investments in improving their ESG performance

The Fund has approved an internal ESG procedure which is followed and under which ESG shall be integrated throughout the investment cycle.

A promotion index is not implemented in the environmental characteristics of the Fund.

- What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The following ESG factors are examined by the Investment Committee of the Fund and deal teams during the investment cycle:
Environmental:

- Air and water pollution to be minimized and monitored;
- Biodiversity must be respected and supported;
- Climate change aspects of industrial operations to be monitored;
- Energy efficiency can have direct economic benefits and should be promoted;
- Hazardous materials must be handled according to applicable regulations;
- Land degradation should be avoided or its long-term effects mitigated;
- Resource depletion to be considered;
- Waste management practices should be optimized to maximize environmental benefits;
- Water scarcity in affected regions to be considered.

Social:

- Customer satisfaction – day to day priority;
- Data protection and privacy must be handled according to applicable regulations and respected;
- Diversity and equal opportunities must be respected and promoted;
- Employee attraction and retention, employee engagement, human capital management must be aimed at seeking long-term human resource planning;
- Government and community relations to be understood as important part of day to day operations.
- Human rights, indigenous rights should be respected at all times;
- Labor standards must comply with applicable laws;
- Labor-management relations to aim at payment of fair and competitive wages, promoting work-life balance;
- Marketing communications should be responsible and convey a positive approach;
- Product mis-selling must be avoided;
- Product safety and liability issues to be monitored and addressed properly;
- Supply chain management supports sustainable business operations.

Governance:

- Accounting standards – the Portfolio Companies to follow IFRS;
- Compliance with competition laws and there should be no anti-competitive behavior. Any contracts, arrangements, understandings or concerted practices that have the purpose, effect or likely effect of substantially lessening competition in a market must be avoided;
- No bribery and corruption;
- Business ethics must be followed and promoted;
- Compliance with applicable laws and regulations;
- Executive remuneration should ensure proper alignment of interests between the shareholders and the management;
- Lobbying, political contributions must comply with all applicable laws and regulations and by all means avoid bribery and corruption;
- Risk management must be robust;
- Stakeholder dialogue to be promoted on all levels.

The Fund is identifying the key findings each of the ESG indicators as deemed relevant and applicable given the particularities of the Portfolio Company itself and the industry it operates in.

IV Does this financial product consider principal adverse impacts on sustainability factors?

- Yes.
- No, financial product currently does not consider principal adverse impacts on sustainability factors. While the EU regulation will formalize the disclosure process, the Fund has integrated ESG principles throughout the investment process, partly as a form of risk avoidance. Fund is putting best efforts to implement principal adverse impact considerations. In the Future Fund plans to monitor and report on the indicators, as set out in Table 1 of Annex I of the Regulatory Technical Standards of the Regulation on annual report.

V Investment strategy

- What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The Fund uses the following elements to select investments to attain the social and environmental characteristics promoted by the Fund:

- INVL Responsible Investment & Sustainability Risk Integration Policy
- ESG due diligence assessing selected sustainability criteria:
 - Overview of the Environmental, Social and Governance aspects
 - Established ESG KPIs given the identified ESG profile
 - Identified contributions of the Target to Sustainable Development Goals (“SDGs”)



- Improvement Plan
- Fund's ESG Index (scoring of E / S / G topics)

- What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

There is no fixed committed minimum rate to reduce the scope of investments considered prior to the application of the investment strategy. The committed minimum rate to reduce the scope of investments considered is therefore a product of the exclusion criteria in INVL Responsible Investment & Sustainability Risk Integration Policy and Fund's own exclusion list.

VI Monitoring environmental or social characteristics

- How are the environmental and social characteristics monitored throughout the lifecycle of the financial product and the related internal/external control mechanisms?

The Fund has integrated ESG considerations throughout the investment decision making process and the ownership period to ensure the Fund attains environmental and social characteristics. A pre-due diligence screening is carried out on all potential investments. Using an exclusion list, an investment is rejected if it is currently, or if it is likely to in the future, generate a significant share of its revenue from excluded industries or products. Next, the Fund conducts a comprehensive ESG due diligence to determine the sustainability proposition of the target business.

For all investments in the Fund, periodical ESG review will take place. Portfolio Company's ESG Assessment shall be updated in case any major developments / changes affecting the overall ESG risk profile occur.

Based on this assessment, the Fund works together with the Portfolio Company to ensure it aims to cover both the short-term issues identified as well as long-term KPIs. The KPIs are continuously monitored and reported. This is considered to be an important tool to drive progress. The Fund aggregates the findings from the individual company reports into a final Fund report (from year 2021) that is communicated to investors. This report shall present the Portfolio Companies' ESG performance and the progress they make over time and identifies case examples of value creation.

- What is the policy to assess good governance practices of the investee companies?

An assessment of good governance practices, including management structure, employee relations, remuneration of staff and tax compliance, is part of the pre-investment due diligence.

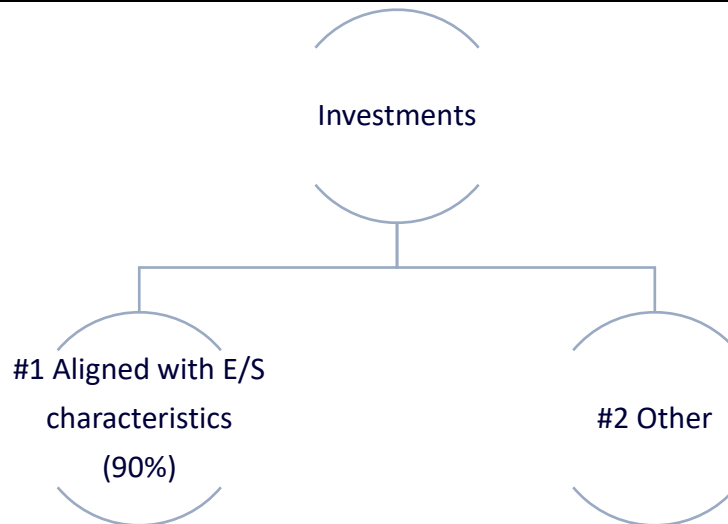
Furthermore, the Fund has a comprehensive set of governance policies that all Portfolio Companies should adhere to (based on Invest Europe ESG DD Questionnaire). These represent the Fund's help guide action in critical areas such as anti-corruption and whistleblowing. All Portfolio Companies assign responsibility for ESG to a senior member of staff and make sure that relevant ESG issues are part of the agenda at board meetings.

VII Proportion of investments

The Fund invests in SME, small-cap and mid-cap companies that can benefit from INVL support; the Fund strives to develop regional market leaders. The Fund seeks control positions either by itself or with like-minded partners, or significant minority stake with certain control mechanisms enshrined in legal documentation. The Fund in case it takes significant minority stake requires a suite of control and governance rights enshrined in legal documentation, ensuring (a) a decisive influence (or veto rights) on strategic and financing decisions of the company and (b) on the change the senior management team, and (c) appropriate protections, including control of the path to exit, e.g. through the drag-along rights or other mechanisms.

Investment decisions within the Fund are made according to the binding elements of the investment strategy used to attain the listed environmental and social characteristics listed in section above. The Fund does not have sustainable investment as its objective and does not commit to make sustainable investments as defined in SFDR. The Fund may have investments that might align with the Taxonomy criteria for environmentally sustainable economic activities.

The graph below provides a breakdown of the planned asset allocation for the Fund.



#1 Aligned with E/S characteristics includes the investments of the Fund used to attain the environmental or social characteristics promoted by the Fund.

#2 Other includes the remaining investments of the Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. See further explanation in this Section below.

The Fund does not commit to include investments that qualify as sustainable investments.

It is anticipated that a substantial proportion (being at least 90 %) of the Fund's investments by invested capital will promote social characteristics according to the binding element of the investment strategy as described in the sections above.

- How does the use of derivatives attain the sustainable the environmental or social characteristics promoted by financial product?

The Fund does not intend to use hedging or derivatives for investment purposes but may from time-to-time use derivative financial instruments such as futures, options, futures contracts and swaps (collectively "Derivatives") to protect the Fund from fluctuations of interest rates, currency prices. The Derivatives will not be used as a mean to promote the environmental characteristics of the Fund, but the Fund does consider minimum ESG safeguards, including that the Derivatives must be traded on a regulated market or by private agreement (OTC) entered with first class financial institutions or reputable entities specialized in this type of transactions.

- To what minimum extent are sustainable investments with an environmental objective aligned with the Taxonomy?

The Fund does not have sustainable investment objective and does not commit to make sustainable investments.

However, it cannot be excluded that some investments might be aligned with the Taxonomy criteria for environmentally sustainable economic activities.

- What is the minimum share of investments in transitional and enabling activities?

The Fund does not have sustainable investment objective and does not commit to make sustainable investments.

- What is the minimum share of sustainable investments with an environmental objective that are not aligned with the Taxonomy?

The Fund does not have sustainable investment objective and does not commit to make sustainable investments.

- What is the minimum share of socially sustainable investments?

The Fund does not have sustainable investment objective and does not commit to make sustainable investments.

- What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The Fund may have cash and cash equivalents or other financial instruments in certain circumstances for liquidity management and/or hedging purposes.

In certain circumstances, the Fund may invest in companies that may not match the Fund's ESG criteria in its entirety but have the adequate minimum safeguards. Accordingly, in such cases, the Fund would commit to aim to influence relevant ESG changes within the holding period and categorize as "#1 Aligned with E/S characteristics".

VIII Designated reference benchmark

- Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No index is designated as a benchmark for determining the attainment of the sustainability characteristics of the Fund.

- How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

No index is designated as a benchmark for determining the attainment of the sustainability characteristics of the Fund.

- How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

No index is designated as a benchmark for determining the attainment of the sustainability characteristics of the Fund.

- How does the designated index differ from a relevant broad market index?

No index is designated as a benchmark for determining the attainment of the sustainability characteristics of the Fund.

IX Methodologies

- Please describe the methodologies used to measure the attainment of the social or environmental characteristics promoted by the financial product using sustainability indicators?

When assessing sustainability risks of investments, the Fund conducts a materiality assessment which is based on the industry framework developed by the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). The SASB framework provides a set of globally applicable industry-specific standards and identifies the minimal set of financially material sustainability topics and their associated metrics for a typical company in an industry. Through these standards, key material themes of a potential investment can be identified.

Following the identification of themes, the Fund monitors Portfolio Companies along several environmental and social metrics specific to these themes (including but not limited to and as deemed relevant for each Portfolio Company – carbon footprint, employee absenteeism-and work accident rate).

X Data sources and processing

- Please describe what data sources were used to attain each of the environmental or social characteristics (including information on how the data is processed, what measures are taken to ensure data quality, and what proportion of data is estimated).

Information is obtained directly from Portfolio Companies.

This data is processed and assessed by the relevant deal team, validated by each of the Portfolio Companies.

Metrics, data (where available) are collected directly from Portfolio Companies and may be compared to industry or national averages where relevant to assess the Portfolio Company's performance relative to the rest of the country/industry.

Estimations may be used where there is a lack of available data and will aim to reflect the true economic reality as closely as possible.

XI Limitations to methodologies and data

- Please describe what limitations surrounded the described methodologies and data sources (including what actions are taken to address such limitations).

All sustainability data is collected directly from Portfolio Companies and the Fund relies on it. However, available ESG and sustainability data has its limitations, particularly in the asset class in which the Fund invests. The Fund puts best efforts into regularly reviews the applied metrics, and continuously seeks to improve transparency, disclosure, and data provision.

XII Due diligence

- What internal and external controls were in place on that due diligence?

The investment team of the Fund works in a collaborative manner, and knowledge sharing between team members is encouraged. Internally, team members discuss the findings of their due diligence to ensure their findings are interpreted consistently among the team. The main findings of the ESG due diligence are taken into consideration by the Investment Committee before a final investment recommendation is made.

ESG specialist is involved to assist with ESG due diligence, implementation, and monitoring.

XIII Engagement policies

The Fund's Management Company is subsidiary of Invalda INVL which is a signatory to the UN PRI and commits to invest according to its principles (one of which is to be active owners and incorporate ESG issues into our ownership policies and practices). Engagement with parties involved in the investment process is an important element of the Fund's approach and is considered to be a useful risk mitigation tool. The Fund invests in a variety of companies and in most cases the Fund has control positions either by itself or with like-minded partners. The Fund seeks to acquire control or significant minority stakes in Portfolio Companies and thereafter take an active role to influence their operations and management with the objective of achieving superior long-term capital appreciation and positive contribution on ESG factors.

More product-specific information can be found on the website.

Version	Changes	Date
No. 1	Publication by regulation	17-05-2022