

## **Disclosure under article 10 of Regulation (EU) 2019/2088<sup>1</sup> (SFDR Regulation) for CVI PRIVATE DEBT FUND II S.C.A. SICAV-RAIF**

### **Summary**

CVI PRIVATE DEBT FUND II S.C.A. SICAV-RAIF (the "Fund") is a product referred to in Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (the "SFDR Regulation"). This financial product promotes environmental or social characteristics, but does not have a sustainable investments objective. The Fund's investment strategy focuses on private debt investments in Central Europe. The Fund is committed to investing primarily in Small and Medium Enterprise (SME) and small mid-cap entities. CVI Dom Maklerski sp. z o.o. (hereinafter "CVI"), as the Investment Manager, monitors the compliance of financing beneficiaries with ESG requirements, including promoted environmental and social characteristics and good governance practices, and makes every effort to ensure the highest quality of data, analysis and monitoring throughout the investment life cycle. With respect to promoted environmental characteristics, the Fund will not invest in entities operating in fossil fuel sector (100% of the Fund's portfolio), and with respect to promoted social characteristics (a minimum of 75% of the Fund's portfolio), the Fund will require financing beneficiaries to implement workplace accident prevention policies. The Fund applies an exclusion strategy to specific types of economic activities, in accordance with the preferences of Investors. In the investment process, the Investment Manager uses an internal proprietary ESG questionnaire, an ESG scorecard, data and documents provided by the financing beneficiaries, and publicly available data and information. The Investment Manager responds as quickly as possible to situations of concern and seeks to rectify them. Because the Fund provides financing mainly to unlisted entities in the SME sector, there is relatively low availability of public data on these entities. Accordingly, the Investment Manager relies on close and direct cooperation with beneficiaries throughout the life cycle of the investment from the earliest stages of the investment process to its completion. No benchmark has been defined for the purpose of achieving the environmental and social characteristics promoted by this financial product.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have a sustainable investment objective.

---

<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (the "SFDR Regulation").

## **Environmental or social characteristics of the financial product**

The Fund will promote environmental characteristics - by excluding investments in entities operating in fossil fuel sector - and social characteristics - by requiring the implementation of workplace accident prevention policies.

## **Investment strategy**

The Fund's investment strategy focuses on private debt investments in Central Europe. The Fund is committed to investing primarily in SME and small mid-cap (employment less than 500) entities. The fund will be diversified by industry. The Investment Manager verifies the compliance of the Fund's beneficiaries with the adopted good governance criteria based on an internal Good Governance Assessment Policy and an internal Investment Process Procedure. The good governance criteria include the following four categories: sound management structures, tax compliance, employee relations, and remuneration of staff. As part of the Good Governance Assessment Policy, CVI analyzes the situation of financing beneficiaries in terms of: establishing and having duly staffed bodies, paying public and legal obligations related to taxes and social security, complying with minimum wage laws, not interfering with the rights of employees and contractors to form, join and act in trade unions or other labour organizations, the right to equal treatment in employment and the prohibition of discrimination at work.

## **Proportion of investments**

100% of the Fund's portfolio will promote environmental characteristics (complete exclusion of fossil fuel sector), and at least 75% of the Fund's portfolio will promote social characteristics (having an implementation of workplace accident prevention policy and disclosing it on the website). All investments will be of direct nature.

## **Monitoring of environmental or social characteristics**

The Investment Manager undertakes to monitor the beneficiaries of the financing for sustainability risks, including the environmental and social characteristics promoted by the Fund, as well as for compliance with good governance principles with regard to management structures, labour relations, tax compliance and remuneration of staff.

The product promotes environmental and social characteristics through the following indicators:

- 1) In the environmental area - excluding exposure to companies operating in the fossil fuel sector; calculated as the share in the Fund of investments in entities operating in the fossil fuel sector in the total value of the Fund portfolio. Fossil fuel sector is defined as the exploration, extraction, production, processing, storage, refining or distribution, including transportation, storage and trading, of fossil fuels (non-renewable carbon-based energy sources such as solid fuels, natural gas and oil).

- 2) In the social area, promoting occupational health and safety by reducing investments in entities without workplace accident prevention policies; calculated as the Fund's share of investments in entities with workplace accident prevention policies in the total value of the Fund portfolio.

Monitoring of the environmental and social characteristics promoted by the Fund is carried out on three levels and includes:

- 1) Annual ESG monitoring:
  - Once a year, the Investment Manager requests beneficiaries to provide documentation attesting to good governance practices and compliance with the environmental and social characteristics promoted by the Fund, including an update of the ESG questionnaire (ESG report).
- 2) Quarterly monitoring:
  - Beneficiaries shall respond quarterly to questions on the compliance with good governance practices and with ESG requirements related to environmental and social characteristics promoted by the Fund and provide supporting documentation in this regard.
- 3) Ongoing monitoring
  - CVI monitors available information on beneficiaries on an ongoing basis.

Through the monitoring process described above, the Investment Manager can assess the beneficiaries' compliance with the environmental and social characteristics promoted by the Fund and the implementation of good governance practices throughout the investment period.

### **Methodologies for environmental or social characteristics**

Based on the collected data, the Investment Manager evaluates the beneficiaries in terms of compliance with the promoted social and environmental characteristics. Based on quarterly data and the value of each investment, calculations are made in order to obtain the annual value of indicators.

### **Data sources and processing**

The Investment Manager, to include the promoted environmental or social characteristics, uses internal tools and external data. Beneficiaries complete the ESG questionnaire based on relevant data, implemented activities and their own internal documents. They also provide documentation confirming compliance with good governance criteria and promoted environmental and social characteristics. To ensure the quality of the process, the data and information provided by the beneficiaries in the ESG questionnaire are analyzed and verified by the Investment Manager in cooperation with the beneficiaries, and then processed by the Investment Manager using an internal tool - the ESG scorecard. Some of the documents that financing beneficiaries provide are issued by external public institutions, which ensures their objective nature. The Investment Manager does not estimate the data. The Investment Manager also uses publicly available information, including that published through news services.

## **Limitations to methodologies and data**

The Fund provides financing mainly to entities operating in the SME sector. Most of them are not listed on stock exchanges. This is important for the availability of publicly disclosed and verified data also in the area of ESG practices. Small and medium-sized non-listed entities are currently not subject to the sustainability reporting obligation. Thus, the availability of methods and data is limited, which may hinder a comprehensive and accurate assessment of beneficiaries in terms of ESG factors and their fulfilment of requirements related to the promoted social and environmental characteristics and good governance criteria. Accordingly, the Investment Manager is working closely with beneficiaries throughout the life cycle of the investment to obtain the necessary data. However, it should be noted that the data obtained is not audited, i.e. it is not verified by an external independent entity. Despite the verification of the data by the Investment Manager in cooperation with the beneficiaries, it may happen that the data provided is false or inaccurate, and the Investment Manager will not be able to identify this. The data are provided to the Investment Manager by the beneficiaries on the basis of contractual agreements. However, there is no guarantee that they will be successfully obtained, despite relevant provisions in the form of covenants.

## **Due diligence**

The Fund is managed actively. The Investment Manager makes every effort to ensure the highest quality of due diligence and monitoring throughout the investment life cycle. Investment decisions are made on the basis of a complex analysis of the beneficiaries and its environment, including consideration of sustainability risks. The data sources used, as described above, as well as close cooperation with the beneficiaries from the earliest stages of the investment process make support the high quality due diligence process.

Accordingly, at the due diligence stage of the investment process, the Investment Manager performs the following activities:

- KYC analysis of the financing beneficiary and UBO, reputation verification and AML analysis;
- verification based on the list of excluded activities (as mentioned earlier);
- verification based on sanction lists, including sanction lists for Russian and Belarusian entities;
- Analysis of significant controversies concerning the UBO, the Board of Directors and the beneficiary group.
- ESG analysis based on internal tools and internal ESG rating system (ESG questionnaire, ESG score card).
- ESG analysis is outsourced if necessary.
- ESG assessment with ESG rating and ESG recommendations are included in the investment memo discussed within the Investment Committee.

## **Engagement policies**

Engagement is one of the key elements of the Fund's strategy and is implemented on the basis of internal regulations of CVI as the Investment Manager. It is based on close and direct cooperation between the Investment Manager and the beneficiaries throughout the investment life cycle from the earliest stages of the investment process. This cooperation is accompanied by the exchange of data, information and knowledge based on an ESG questionnaire and a reporting process aimed at monitoring the level of sustainability risk, including, in particular, verification of compliance with criteria regarding the promoted environmental and social characteristics and good governance practices, as well as ongoing response to situations of concern and requiring intervention. The Investment Manager makes every effort to communicate with the beneficiaries throughout the life cycle of the investment on an ongoing basis, to clarify at an early stage the requirements, including in the ESG area, which are then included in the transaction documentation. In addition, the Investment Manager makes every effort to support the beneficiaries' efforts to implement changes aimed at achieving a positive impact on sustainability factors.

## **Designated reference benchmark**

No reference benchmark has been designated for the purpose of achieving the environmental and social characteristics promoted by this financial product.

## **Disclaimer**

Detailed information about the Fund and a specific description of risk factors are included in the Private Placement Memorandum, which is available to Eligible Investors. An investment in the Fund involves the purchase of shares of the Fund, not assets owned by the Fund. The value of the Fund's shares may be characterized by volatility, due to the composition of the Fund's investment portfolio and the investment strategy used, as described in the Private Placement Memorandum. Investment in mutual funds is subject to investment risk. The Investment Manager does not guarantee that the Fund's Investors will achieve their investment objective or obtain a certain return on investment. All or any of the information provided about the Fund does not constitute an offer within the meaning of Article 66 of the Civil Code, as well as the service of providing investment advice and recommendations concerning financial instruments or their issuers within the meaning of the Act on Trading in Financial Instruments, and are not a form of providing tax advice or legal assistance. They cannot provide a sufficient basis for investment decisions. The Fund was established and operates under Luxembourg law. The legislation of other countries may provide for their citizens or other entities subject to their legislation restrictions on the ability to invest in the Fund. The distribution of the Fund's documents and the offering or sale of its shares may be subject to restrictions in some jurisdictions. Persons who come into possession of the Fund's Private Placement Memorandum should make sure that they are not subject to the relevant restrictions in the aforementioned respect. No one receiving a copy of such document in any jurisdiction should treat it as an offer to subscribe. Potential



Investors should contact legal counsel before engaging in any activities related to products and services. The Investment Manager is subject to the supervision of the Financial Supervisory Commission, authorization number: DRK/WL/4020/13/21/110/1/2013 dated May 21, 2013. The Investment Manager: CVI Dom Maklerski sp. z o.o., District Court for the City of Warsaw XIII Economic Department, KRS 0000424707, NIP 954-27-38-238, REGON 242949739, share capital: PLN 1,929,500.00 paid in full, address: Pl. Europejski 2, 00-844 Warsaw, Poland. Copyright to this information is vested in the Investment Manager.