'ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Raft Capital Baltic Equity Fund KŪB (the „Fund") **Legal entity identifier:** 306701655

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

- ☐ **Yes**
- ☒ **No**

- ☐ 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:** ___%
- ☐ 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**

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

The Fund will invest in small and medium enterprises and small mid-cap entities (i.e. portfolio companies) as described in the Partners' Agreement of the Fund. Albeit the particular sector in which the potential portfolio companies of the Fund operate is not exhaustively defined, the Fund will not make investments in companies in certain sectors, which have potential negative effects on the environment and society. Those sectors are excluded on the basis of the Funds' investment restrictions list provided in the Partners' Agreement of the Fund.

By investing in the portfolio companies, the Fund will target to promote social characteristics. The Fund will, in whole or in part, invest in companies that through their operations contribute to solving problems. The Fund anticipates to promote the following particular social characteristics in the portfolio companies (the **Particular Social Characteristics**):

Own workforce

- Gender quality and equal pay. We are committed to promoting equal treatment and opportunities across our portfolio companies. This includes supporting progress toward gender equality and fair pay for work of equal value, therefore we will promote actions aiming at reducing the gender pay gap. To track progress, we will collect and monitor data on the gender pay gap.
- Occupational health and safety. We are committed to promoting safe and healthy working conditions across our portfolio companies. This includes improving workplace environments and reducing work-related injuries. To support this, we will track the number of workplace accidents and their annual rate, while encouraging actions that help lower these figures over time.

The Fund will advocate for the above-chosen Particular Social Characteristics by:
(i) establishing the initial benchmark for the Particular Social Characteristics through analysis of the target portfolio companies during the due diligence stage of the investment process and establishing the average pay amount by gender for similar positions/functions as well as the number of injuries at the workplace prior to the investment of the Fund (the Initial Benchmark);
(ii) requesting the portfolio companies in the investment/shareholders' agreements of the Fund to make the best efforts in reducing the gender pay gap and improving the working conditions by taking measures pre-agreed with the Fund;
(iii) actively engaging in the boards of portfolio companies with the aim to propose the implementation or adoption of policies that promote Particular Social Characteristics and monitoring how the portfolio companies adhere to the same;
(iv) by respective provisions in the investment/shareholders' agreements of the Fund requesting the portfolio companies to annually report to the Fund on the progress of improving the Particular Social Characteristics by providing year-on-year data in comparison to the Initial Benchmark;
(v) reporting the progress of promoting the Particular Social Characteristics to its investors and authorities as required by law.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

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

The sustainability indicators to demonstrate the attainment of the promoted Particular Social Characteristics are:

- Change in average gender pay gap measured as the percentage difference between average hourly earnings of men and women in comparable roles with the aim to equalize women's salaries to the salaries of men; and
- Change in workplace injury rate measured as TRIR (Total Recordable Incident Rate) by reducing the number of injuries per annum.

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?

The fund promotes social and environmental characteristics (qualifying it as an Article 8 fund), but it does not aim to have "sustainable investments" as its main objective. It is explicitly not committed to making any sustainable investments within the regulatory definition of the SFDR.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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?

N/A

How have the indicators for adverse impacts on sustainability factors been taken into account?

The Fund does not consider the adverse impacts of investment decisions on sustainability factors to the extent set out in Article 4 of the SFDR. The rationale for this approach is detailed below. As the Fund grows, diversifies its portfolio, or if regulatory expectations evolve, it will reassess its position regarding the consideration of PAI. This decision is made annually by the Fund's Board.

The Fund has elected to follow the "explain" approach under Article 4(1)(b) of the SFDR. This decision is primarily driven by the Fund's size, organizational structure, and the current scale of its investment activities. The Fund has significantly fewer than 500 employees and maintains a highly concentrated portfolio, currently consisting of a single portfolio company.

Given this limited scope, the Fund considers that the systematic identification, measurement, and monitoring of PAI at the entity level would not provide meaningful or proportionate insights into sustainability risks or outcomes at this stage. The administrative burden and data requirements associated with full PAI consideration are also not commensurate with the size and nature of the Fund's operations.

Nevertheless, the Fund remains committed to responsible investment principles and takes sustainability considerations into account in its investment decision-making processes where relevant by actively promoting selected social characteristics, as detailed in the pre-contractual disclosure for the financial products referred to in Article 8 of the SFDR.

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

N/A

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

☐ Yes, _____

☒ No

What investment strategy does this financial product follow?

The strategy of the Fund is to acquire, hold, manage and divest a diversified portfolio of equity and equity-related investments into small and medium sized companies and small mid-caps established in Lithuania, Latvia and Estonia and having their principal operations in these countries. The Fund aims to increase the value of the companies by making a meaningful positive impact in their development, including improvement of the Particular Social Characteristics. The Fund will not make investments in companies in certain sectors, which have potential negative effects on the environment and society. Those sectors are excluded on the basis of the Funds' investment restrictions list provided in the Partners' Agreement of the Fund.

- ***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 will assess the Initial Benchmark for each Particular Social Characteristic of each prospective portfolio company during the due diligence stage prior to making the investment. When discussing the potential investment into each prospective portfolio company, the investment committee of the Fund will also discuss and evaluate the potential for improvement of each Particular Social Characteristic from the Initial Benchmark during the investment holding period. The findings of the due diligence and potential for improvement will be taken into account by the investment committee of the Fund when making investment decisions, and potential investments may be disregarded if significant social concerns are identified, such as a high workplace injury rate or drastic inequality of the pay by gender.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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

  The Fund does not commit to the minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

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

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

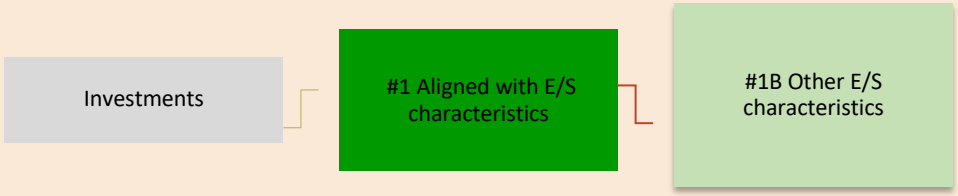
The Fund will engage third-party advisers to perform legal due diligence for each potential portfolio company prior to the investment of the Fund. The scope of such due diligence among other areas will include the analysis of the management structure, employment issues, regulatory matters and the company's corporate governance. All the findings of the legal due diligence will be assessed by the investment committee of the Fund when making the investment decision. The Fund will not invest in companies that demonstrate poor corporate governance practices.

Under the Partners' Agreement of the Fund, the Fund manager will use reasonable efforts to ensure that market-practice standards of corporate governance used in the jurisdiction where the portfolio company is incorporated are in place or will be implemented within a reasonable time period in all portfolio companies, including regular board meetings (if appropriate), an audit committee (if appropriate), compliance with the Invest Europe Corporate Governance Guidelines (if appropriate) and the relevant code of practice for corporate governance (if any) in the country of incorporation or operation (as applicable). The Fund will seek such goals by requesting appropriate undertakings of the portfolio companies in the investment/shareholders' agreement with the Fund.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



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

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

What is the asset allocation planned for this financial product?

The Fund does not commit to invest in any sustainable investment within the meaning of the SFDR.

The Fund plans to allocate close to 100% of its investments to portfolio companies that promote the Particular Social Characteristics. The Fund may invest in companies that does not fully match the Fund's social criteria at the investment stage. In such cases, the Fund commits to driving the necessary changes during the holding period so that the investment ultimately qualifies as "#1 Aligned with E/S characteristics.

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

The Fund does not intend to make use of derivatives for investment purposes or promotion of the environmental or social characteristics promoted by the Fund.

Asset allocation describes the share of investments in specific assets.

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

0%

The Fund does not commit to making sustainable investments with an environmental objective.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentaly sustainable economic activities under the EU Taxonomy.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[12]?

☐ Yes: *[specify below, and details in the graphs of the box]*

☐ In fossil gas ☐ In nuclear energy

☒ No

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

N/A

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

N/A

What is the minimum share of socially sustainable investments?

N/A

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

N/A

[12] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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

  N/A

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

  N/A

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

  N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

  N/A

Where can I find more product specific information online?

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

https://www.raftcapital.eu/responsible-investing/