

**UAB MODUS ASSET MANAGEMENT  
SUSTAINABILITY NOTICE**

***I. Sustainability strategy***

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (**SFDR**) requires managers of alternative collective investment undertakings to disclose:

- (a) whether and how they integrate Sustainability Risks<sup>1</sup> into the investment decision-making process;
- (b) whether and how they assess the Adverse Impact of investment decisions on Sustainability Factors<sup>2</sup>; and
- (c) how the remuneration policy of the company is consistent with the integration of sustainability risks into investment decision-making processes.

By implementing the requirements of SFDR, the Board of UAB Modus Asset Management (**Company**) approved the Sustainability Policy (**Sustainability Policy**), according to which the objective of the Company activities is to establish and/or manage collective investment undertakings (**Funds**) aimed at sustainable investment. Currently, all the Funds managed by the Company invest in the operation (production of electricity) of solar power plants built in the territories of Lithuania and Poland.

Sustainability Policy requirements shall be applied to all new investment decision-making processes taken after the approval of the Sustainability Policy, in order to ensure that investments are in line with the Company's sustainability strategy, i.e. the investment objects comply with the requirements of Article 9 of the SFDR for products aimed at sustainable investment. All investments of the Funds managed by the Company in which investments were made before the entry into force of the Sustainability Policy shall be subject to an internal assessment in order to determine the compliance of such investments with the requirements of Article 9 of the SFDR.

***II. Integrating sustainability risks and sustainability impact assessment into the investment decision process***

The Company shall integrate the assessment of Sustainability Risks and Adverse Impacts on Sustainability Factors (**Sustainability PAI**) into the investment decision-making process and investment management of the Funds in accordance with the Sustainability Policy, including:

- (a) Shall comply with the sustainability requirements of the legal acts applicable to the Company and the Funds;
- (b) When making investment decisions also:
  - (i) shall perform a comprehensive Sustainability PAI and Sustainability Risk due diligence procedure;
  - (ii) shall assess the Sustainability PAI and Sustainability Risks associated with the investment;
- (c) Shall integrate Sustainability Risk and Sustainability PAI management/mitigation measures into the investment transaction documentation;
- (d) Shall monitor compliance with established Sustainability Risks and Sustainability PAI management/mitigation measures;

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<sup>1</sup> Sustainability risks shall be understood as they are defined in the SFDR, i.e. an environmental, social or management event or situation that, if it occurred, could have a real or potential material adverse impact on the value of the investment.

<sup>2</sup> Sustainability factors shall be understood as they are defined in the SFDR, i.e. environmental, social and labour issues, as well as respect for human rights and the fight against corruption and bribery.

- (e) Shall investigate, assess and resolve possible violations of the principles set out in the Sustainability Policy and applicable sustainability legislation (in response to received complaints and/or upon identification of a possible violation during internal inspection/control);
- (f) Shall periodically measure the Sustainability PAI indicators in accordance with the procedure set out in SFDR and publish a summary report on the Sustainability PAI indicators;
- (g) Shall provide information to the investors of the Funds on how the Company integrates Sustainability Risks and Sustainability PAI into the investment decision-making processes of the respective Funds;
- (h) Shall continuously improve the Sustainability Policy, practices and tools for its implementation at the level of the Company and the Funds, taking into account changes in regulations and, as far as practicable, good practices.

Taking into consideration that:

- The Company must publish the Sustainability PAI report for the first time no later than by 30 June 2023 for the year 2022, and
- Draft delegated legislation implementing the SFDR detailing the content and format of such reports has not yet been adopted and has not entered into force;

more detailed information on the Sustainability PAI assessed in the investment decision process, methodologies for their selection and ranking, information sources used, etc. shall be disclosed in the first Sustainability PAI report of the Company, which shall be published no later than by 30 June 2022.

### **III. *Activities in which the Funds do not invest***

The Funds shall not invest in activities/companies performing activities related to the following economic activities (***List of Exempted Activities***):

- (a) Illegal activities, i.e. any manufacturing, trading or other activities that are illegal under the local law;
- (b) Human cloning activities for reproductive purposes;
- (c) Manufacture of and trade in tobacco, spirits and related products;
- (d) Activities related to the production of, trade in, financing of arms, munitions and war vehicles, explosive ordnance and parts thereof, except where such activities are carried out through specific and explicit measures to implement EU policies;
- (e) Casino, gambling and similar activities (manufacture, supply, servicing of equipment, etc.);
- (f) IT/technical applications related to electronic information and decision activities that contribute to the performance, research and development of the activities provided in the List of Exempted Activities or activities that enable unauthorised access to or download of data from the electronic data systems/networks.
- (g) Research and development activities of technical means for and/or related to human cloning for research or therapeutic purposes and/or for genetically modified products;
- (h) Other activities the investments in which are restricted by the requirements of international multilateral investment institutions or other institutional investors whose investments form a significant part of the investments to the Funds.

### **IV. *Policy on exercise of voting rights***

The Funds do not invest in companies the securities of which are publicly traded and/or traded on regulated markets or other multilateral trading facilities. Investments are usually be made directly and/or indirectly through the acquisition of a 100%/controlling stake in unlisted companies, so the Fund has the opportunity to influence the decisions of the investment entity (company), including on issues related to sustainability. Taking into account the sustainability strategy of the Company and the investment strategy of the respective Fund, the Funds shall exercise their voting rights in such a way that the sustainability objectives set out in

the Sustainability Policy and the founding documents of the Funds are complied with to the maximum extent possible.

#### **V. International standards**

In order to determine the compliance of the (potential) investment with the investment strategy of the Fund and the requirements of Article 9 of the SFDR, the Company shall perform a thorough examination of Sustainability Factors and Risks (**Sustainability Due Diligence**) before making an investment decision. In conducting the Sustainability Due Diligence, the Company shall follow the principles of the Organization for Economic Co-operation and Development (**OECD**) set out in Due Diligence Guidance for Responsible Business Conduct, which are also integrated into the Sustainability Policy.

The Company belongs to a group of companies the controlling company of which, Modus Group, is a member of the UN Global Compact initiative, so the Company also operates in accordance with the principles of the UN Global Compact. The Modus Group's annual report on compliance with the principles of the UN Global Compact also includes performance indicators of the Company.

#### **VI. Division of functions and accountability**

The Board of the Company approves the Company's sustainability strategy, Sustainability Policy and the processes and documents related to their implementation (e.g. Code of Business Ethics, Whistleblower Protection Policy, etc.), periodically evaluates whether the approved strategies and processes work effectively and shall update them as necessary.

The CEO of the Company is responsible for the proper implementation of the sustainability strategy, policies and processes as well as for the submitting of necessary improvement proposals to the Board.

The Fund Managers are responsible for the day-to-day implementation of the objectives and processes set out in the sustainability strategy and Sustainability Policy, i.e. conducting a thorough due diligence of Sustainability Factors, integrating the identified Sustainability Risks and Sustainability PAI into the investment decision process.

The Company's Risk and Compliance Officers participate in ensuring the efficiency of the processes set out in the Sustainability Policy, other internal procedures of the Company, founding documents of the Funds as well as ensure compliance with regulatory requirements.

#### **VII. Compatibility of Remuneration Policy with Sustainability Policy**

The Remuneration Policy of the Company stipulates that all current and future risks are taken into account when allocating the variable (performance-based) part of the remuneration to the Company's employees; the variable remuneration part must be consistent with and promote sound and effective risk management of the Company and the Funds. Taking into account that Sustainability Risks comprise an integral part of the risk assessment process of the Funds, the Remuneration Policy of the Company is compatible with the sustainability strategy and the Sustainability Policy.

#### **VIII. Transparency**

The Company publishes sustainability-related information of the Company and the Funds in accordance with the SFDR, the Taxonomy Regulation and the supplementing delegated legal acts (when they enter into force), including:

- (a) Information on how the Company integrates Sustainability Risks and Sustainability PAI into the investment decision processes, how the Remuneration Policy is compatible with the Sustainability Policy – in the “Sustainability” section of the Company's website;
- (b) Information for each Fund:
  - (i) In the investors section of the Company's website – for the investors of the respective Fund;

- (ii) by providing the information on sustainability required by legal acts together with other pre-contractual information to investors in accordance with the procedure established in the founding documents and investment agreements of the respective Fund;
  - (iii) in the annual reports of the Funds – to the investors of the respective Fund in accordance with the procedure established in the founding documents of the Fund.
- (c) Sustainability PAI annual reports (from 30 June 2023) – by publishing them in the “Sustainability” section of the Company’s website.