

# POLICY ON SUSTAINABILITY-RELATED RISKS

## **Inven Capital, SICAV, a.s.**

### **1. INTRODUCTION**

- 1.1 **Inven Capital, SICAV, a.s.**, company registration number: 02059533, with registered seat at Pod křížkem 1773/2, Braník, 147 00 Prague 4, incorporated in the Commercial Register managed by the Municipal Court in Prague, Section B, File 19323 (hereinafter the “**Fund**”), in compliance with Art. 3 of 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 (hereinafter “**SFDR**” or the “**Regulation**”), has prepared information on the policy of incorporating sustainability-related risks into the process of investment decision-making of the Fund as a participant in the financial market, and published this information on the website.

### **2. TERM DEFINITION**

<b>“Environmental Objectives”</b>	within the meaning of Art. 9 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, it means: <ul style="list-style-type: none"><li>➤ mitigating climate change;</li><li>➤ climate change adaptation;</li><li>➤ sustainable use and protection of water and sea resources;</li><li>➤ transition to the circular economy;</li><li>➤ pollution prevention and control;</li><li>➤ protection and restoration of biological diversity and ecosystem;</li></ul>
<b>“ESG Risks”</b>	mean “environmental, social and governance” risks related to management and administration;
<b>“Sustainability Factors”</b>	mean environmental, social and employee matters, respect for human rights, and fight against corruption and bribery, within the meaning of Art. 2(24) of the SFDR;
<b>“Primary Adverse Impact”</b>	mean adverse impact of investment decisions on Sustainability Factors;

<b>“Policy“</b>	means the policy on sustainability-related risks;
<b>“Sustainability-Related Risk”</b>	means an event or situation in the environmental or social sphere, or in the sphere of administration and management that, if it were to occur, could have an actual or potential material adverse impact on the value of an investment, within the meaning of Art. 2(22) of the SFDR;
<b>“Sustainable Investment”</b>	within the meaning of Art. 2(17) of the SFDR, it means an investment into economic activity that contributes to the Environmental Objectives, such as investments measured, for example, by key indicators for the efficiency of resources regarding the use of energy, energy from renewable sources, raw material, water and soil, production of waste, emissions, greenhouse gases, or indicators of its impact on biological diversity and circular economy, or investments into economic activity that contributes to social objectives, namely investments that contribute to dealing with inequality, or investments promoting social solidarity, social integration, labor-law relations, or investments into human capital or into economically or socially disadvantaged communities, provided that such investments do not harm any of the expressed objectives and companies being invested into, that they follow the procedures of proper administration and management, especially in terms of proper management structures, employee relations, employee remuneration and adherence to tax regulations.

### **3. THE FUND’S APPROACH TO SUSTAINABLE INVESTMENT**

- 3.1 Considering the global challenges in the field of the environment, a systematic and future-focused approach to environmental sustainability is required to deal with the increasing negative trends, such as climate change, loss of biological diversity, excessive global consumption of resources, lack of food, ozone layer damage, acidification of oceans, deteriorating freshwater systems and change in the system of landscape use, as well as the occurrence of new threats, including hazardous chemical substances and their sustainability.
- 3.2 The European Union has taken another step towards the objectives stipulated by the United Nations in the 2030 Agenda for Sustainable Development, based on the Sustainable Development Goals and the Paris Agreement, and accepted this Regulation, in which the European Union aims at ensuring reorganization of capital into Sustainable Investments, including the consideration of Sustainability-Related Risks in investment processes, and increasing the transparency and orientation on long-term objectives in the financial sector.
- 3.3 The non-existence of harmonized rules for transparency can make investment

decision-making more difficult for end investors, in terms of environmental and social risks, management and administration risks, and the objectives of Sustainable Investment, and the Regulation consolidates the terms and conditions for informing end investors, allowing them to make informed investment decisions. The ESG factors and assessment of their impact on sustainability should become a part of everyday investment decision-making processes.

- 3.4 The Fund's investment strategy is to invest into the sector of clean technologies and new power engineering, and the Sustainability Factors are relevant within such strategy.

Therefore, one of the factors taken into consideration when selecting investments is also the fact whether or not it is a Sustainable Investment. The Fund's approach to the level of consideration of Sustainability-Related Risks in investment decision-making depends on the character of the investment.

- 3.5 The Fund is a member of the Leaders for Climate Action, the members of which strive to make their companies more environmentally friendly and to reduce their carbon emissions in the process, starting with measuring their carbon footprint, through its gradual reduction to the compensation of its residue. This effort should also lead to the formation of a more ethical corporate culture and it motivates employees to think and act in an environmentally-friendly way. The Fund also strives to incorporate the sustainability clause into the various stages of negotiating the terms and conditions of an investment with the aim to commit portfolio companies to measure and neutralize their carbon footprint, to compensate the calculated carbon emissions by purchasing climate protection certificate, such as the CDM Gold Standard or Verified Carbon Standard, or to introduce sustainable measures in terms of impact on the environment, social area, and company management and administration (thus eliminating ESG risks).

#### **4. SUSTAINABILITY-RELATED RISKS**

- 4.1 The Fund perceives Sustainability-Related Risks as a part of general and implemented risk categories (such as market, operating etc.), and as such they are incorporated into the current categories and managed in compliance with the procedures implemented by internal regulations.

- 4.2 The Fund's investments are mostly related to the following risks that may have an effect on the Sustainability Factors:

(i) **Environmental Risks**

These may concern sectors, in which the Fund invests, such as power engineering. Considering the fact that the Fund invests into clean technologies, new power engineering, innovative technologies that provide services in an ecological way, the Fund does not expect a negative impact on sustainability, on the contrary, it monitors the fulfilment of the Environmental Objectives in its Investment Strategy.

(ii) **Social Risks**

The Czech Republic is a member of many international organizations and as such it participates in international contracts and agreements that guarantee a high level of employee protection, including equal treatment and remuneration, or occupational health and safety. The Fund minimizes such risks by thoroughly adhering to generally binding legal regulations in the area of labor law, as well as at the internal regulations level.

(iii) **Administration and Management Related Risks**

- Risks related to administration and management – corrupt practices, infringement of third-party rights, violation of tax regulations etc. Such risks are reduced by the fact that the members of the Fund’s managing authorities must be approved by the Czech National Bank, which evaluates their credibility and expertise;
- Risks related to money laundering – the Fund follows generally binding legal regulations as well as recommendations of international organizations in the area of prevention of money laundering in relation to criminal activity and terrorism funding. The Fund has also implemented internal processes of client identification and checks with the aim to eliminate money laundering;
- Risks related to the acquisition of foreign assets are minimized by focusing on well-known and advanced regions, such as countries in the European Union or Israel, and by performing pre-investment audits.

**5. INCORPORATION OF SUSTAINABILITY-RELATED RISKS**

5.1 The Fund prefers Sustainable Investments in its investment activity.

5.2 The Fund considers Sustainability-Related Risks both in the initial stages of the investment process (considering the acquisition of an asset) and in the following stages of the investment process (pre-investment audit). If the Fund finds significant misconduct in the areas described under 4.2 in this *Policy on Sustainability-Related Risks*, the acquisition of the asset in question is suspended.

5.3 In this situation, the Fund carefully monitors the legislative development in the field of sustainability in financial services and documents made available to investors will be modified in compliance with the accepted legislations and recommendations of the respective authorities.