SFDR DATA DISCLOSURE

The European Regulation (EU) 2019/2088 the Sustainable Finance Disclosure Regulation (SFDR) imposed transparency obligations on financial market participants regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in their investment and advisory processes.

LEVEL I SFDR obligations

The regulation was first introduced in March 2021 with the Level I disclosure which required financial market participants and financial advisors in the EU to classify their funds in three categories:

> Article 6 funds: those that do not promote their environmental social or governance (ESG) characteristics.
>
> Article 8 funds: where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
>
> Article 9 funds: where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark.

As part of our investment strategy, Funds managed by Vallis Capital Partners promote environmental and social characteristics and follow good governance practice across its portfolio and are classified as Article 8 Funds. However, we do not intend to make any specific sustainable investments aligned with EU Taxonomy (Regulation (EU) 2020/852). If we do so, we will appropriately disclose this in our Periodic Disclosure 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 on our website.

LEVEL II SFDR obligations

In January 2023 new Level II disclosure came into force that includes the intended percentage of sustainable investments; the minimum intended investment in EU Taxonomy-aligned investments, and, most importantly, the consideration that are made with respect to Principal Adverse Impacts (PAI).

SFDR introduces a set of PAIs indicators that range from:

> Environmental (E) sush as carbon emissions, fossil fuel exposure and waste levels
>
> Social (S) such as gender diversity and due diligence over human rights
>
> Governance (G) such as exposure to corruption, bribery or other scandals.

Both funds managed by Vallis Capital Partners were closed before introducing the Level II disclosure of the SFDR regulation and were not required to make pre-contractual disclosures, specifically:

Vallis Sustainable Investment I Fund raised in 2011 and regulated by CSSF in Luxembourg is currently in last stage of its divestment period (not actively investing).

Vallis Sustainable Investment II Fund supervised by Market Regulatory Authorities - Comissão do Mercado de Valores Mobiliários (CMVM) of Portugal was raised in 2020 with final closing in June 2021. The detailed pre-contractual disclosure obligation entered into force after the final closing of the Fund and no pre-contractual disclosure was required. The Fund will make periodic disclosure in accordance with periodic disclosure templates of Delegated Regulation 2022/1288 of 6 April 2022 for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 as disclosed in the ANNEX to this document.

METHODOLOGY

Since 2018 we publish on our website a formal Responsible Investment Policy of Vallis Capital Partners which incorporate the methodology that we apply to assess, measure and monitor the ESG factors in our investment decisions. The policy is updated annually.

Since 2019 we also published the Sustainability Report to share critical ESG indicators across our portfolio companies based on the information provided by our investee companies.

Following introduction of the Level II disclosure of SFDR and in accordance with the article 4 of the SFDR regulation, we state that we consider among other factors the following principal adverse Impacts indicators when making out investment decisions:

Metric Name	**Definition**
Carbon Footprint (Scope 1+2+3)	Weighted average Scope 1, Scope 2 and Scope 3 carbon emissions intensity normalized by enterprise value including cash. (Unit: tons of CO2/ EUR million enterprise value including cash)
Carbon Footprint (Scope 1)	Weighted average Scope 1 carbon emissions intensity normalized by enterprise value including cash. (Unit: tons of CO2/ EUR million enterprise value including cash)
Carbon Footprint (Scope 2)	Weighted average Scope 2 carbon emissions intensity normalized by enterprise value including cash. (Unit: tons of CO2/ EUR million enterprise value including cash)
Carbon Footprint (Scope 3)	Weighted average Scope 3 carbon emissions intensity normalized by enterprise value including cash. (Unit: tons of CO2/ EUR million enterprise value including cash)
Carbon Footprint (Scope 1+2)	Weighted average Scope 1 and Scope 2 carbon emissions intensity normalized by enterprise value including cash. (Unit: tons of CO2/ EUR million enterprise value including cash)
GHG Intensity of Investee Companies	Weighted average Scope 1, Scope 2 and Scope 3 carbon emissions intensity normalized by sales. (Unit: tons of CO2e / million EUR of sales).
Exposure to companies active in fossil fuel sector %	Exposure to companies involved in oil and gas and thermal coal related revenue generating activities. The metric does not include revenue generating activities from metallurgical coal, and storage and transportation of coal.
Share of non-renewable energy consumption and production %	Weighted average energy consumption and/or production from non-renewable sources as a percentage of total energy use and/or generation.

Energy consumption intensity per high impact climate sector	Energy consumption (GwH) per million EUR revenue per high impact climate sector (based on GICS® sub-industries that are mapped from the EU's NACE classification. This includes sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council).
Activities negatively affecting biodiversity - sensitive areas	Exposure to companies having operations in or near to biodiversity sensitive areas that have been implicated in controversies with severe or very severe adverse impact on the environment.
Emissions to water	Weighted average tons pollutants released to surface water normalized by enterprise value including cash. (Unit: tons/EUR million enterprise value including cash)
Hazardous Waste Ratio	Weighted average hazardous waste normalized by enterprise value including cash. (Unit: tons/EUR million enterprise value including cash)
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Exposure to companies that are facing Very Severe Controversies related to the environment, customers, human rights, labor rights or governance.
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises %	Exposure to companies without policies to monitor compliance with UNGC Principles.
Unadjusted Gender Pay Gap %	Weighted average difference between the average gross hourly earnings of male and female employees as a percentage of male gross earnings, based on company reported data. Note that reporting on this metric is inconsistent: some companies report the absolute or uncontrolled pay gap while other control for compensable factors such as role or location.
Board Gender Diversity %	Weighted average ratio of female to male board members (%).
Exposure to controversial weapons %	Exposure to companies with industry ties to landmines, cluster munitions, chemical weapons or biological weapons. Notes: Industry ties cover ownership, manufacturing and investments. Ties to landmines do not cover related safety products.
Rate of accidents	Rate of accidents in investee companies expressed as a weighted average
Water usage and Recycling	Average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies Weighted average percentage of water recycled and reused by investee companies
Lack of Anti-corruption and anti-bribery policy	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

We report on those PAI indicators on our website from 30 June 2023 for the year 2022 and update the relevant disclosure annually.

DATA SOURCE USED AND DATA QUALITY

We use both internal and external data points from our portfolio companies as the input to analyse all ESG-related indicators. The ESG data points are still incipient for the market players and while corporate disclosure remain voluntary the information is not audited by external auditors. Vallis Sustainable Investments II Fund invests in privately held SMEs where the resources for data collection are limited. We will continue improving data collection capacity at the level of our portfolio companies encouraging them external verification where possible.

We strongly support Corporate Sustainability Reporting Directive and, once mandatory and audited from 2025, we expect significant improvement in the data quality of such disclosure**.**

REMUNERATION POLICY

Vallis Capital Partners believes that a fair and responsible remuneration policy is an essential component of sustainable investment management. We strive to incentivize all our stakeholders to act in the best interests of our investors and to achieve the fund's investment objectives, while also ensuring appropriate risk management and disclosure.

We aim to provide a fair and equitable remuneration package to all staff, including of our investees companies, based on their role, responsibilities, and performance. Moreover, we ensure that our remuneration policy supports the long-term sustainability of the fund and is aligned with the interests of our investors.

The structure includes the following elements:

1. Fixed Remuneration: This is the base salary paid to staff and is determined based on their role, responsibilities, and market benchmarks.

2. Variable Remuneration: This includes any bonus or performance-related pay and is designed to incentivize staff to achieve performance targets while also encouraging responsible behavior.

3. Long-Term Incentives: This include long-term incentive plans that are designed to align staff with the long-term interests of the funds investors in accordance with the respective investment strategy.

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