

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: Sandwater Fund I (the "Fund")

Legal entity identifier: N/A

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="radio"/> <input type="radio"/> No</p> <p><input type="checkbox"/> 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</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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What environmental and/or social characteristics are promoted by this financial product?

The Investment Manager manages the Fund in accordance with the Investment Manager's Impact and ESG Investment and Risk Policy, which sets out binding elements that apply in the investment process and enable the Investment Manager to consider, integrate and manage both impact and environmental, social and governance ("ESG") factors in its investment management activities. Furthermore, the Investment Manager has entered into side letters with certain investors regarding, inter alia, sustainability-related aspects of the management of the Fund.

The Investment Manager's implementation of the Impact and ESG Investment and Risk Policy and its adherence to side letters entail that the Fund promotes both environmental and social characteristics.

Exclusion criteria: First, the Investment Manager applies an exclusion mechanism in its management of the Fund, ensuring that the Fund will not invest in companies conducting or associated with certain activities. Exclusion lists are set out both in the Impact and ESG Investment and Risk Policy, the Investment Mandate and in side letters.

Positive impact and assessment of negative externalities: Second, the Investment Manager performs an impact and ESG investment analysis and screening process assessing selected ESG indicators in terms of both positive impact and negative externalities of investments, as well as considering the sustainability risks associated with investments.

The Impact and ESG Investment and Risk Policy sets out four thematic categories of impact when assessing the positive impact opportunity associated with a potential investment. These categories are:

1. Resource efficiency, which includes:
 - a. Sustainable food systems
 - b. Preservation of water resources and marine ecosystems
 - c. Innovations in materials production and recycling
2. Energy transition, which includes:
 - a. Clean energy generation, storage and infrastructure
 - b. Energy efficiency
 - c. Carbon capture, utilization and storage
3. Human health, which includes:
 - a. Health technology
 - b. Improving healthcare systems & delivery
 - c. Health and safety in the workplace
4. Impact enablers, which includes:
 - a. Climate measurement and finance
 - b. Supply chain and data transparency

The potential or actual positive impact of the Fund's investments will be measured by indicators deemed suitable for each portfolio company considering the thematic category of which the company is part and the activities of the company.

The potential or actual negative externalities of the Fund's investments will be assessed and, where relevant, measured, using environmental, social, and governance-related indicators, as further detailed below.

Impact Driven Enterprises: Third, 50% of the Fund's investments will be in Impact Driven Enterprises, defined as a portfolio company which:

- a) has a purpose to achieve environmental and/or social impact by providing entrepreneurial solutions to an environmental and/or social issue based on a market-based scalable approach;
- b) has business models which enable it to develop self-sustainable business models making them able to access over time capital from return-seeking investors who hold and sell an interest in them in a way comparable to the venture capital model;
- c) in the frame of their environmental and/or social purpose, defines their environmental and/or social impact objectives and specifies associated metrics for directing operations and monitoring their impact;
- d) intends to use its own business growth to advance their pre-defined environmental and/or social targets; and
- e) is managed in an accountable and transparent way, taking into account the interests of employees, customers and other stakeholders affected by their business activities.

No reference benchmark has been designated.

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 Investment Manager will measure the attainment of each of the environmental or social characteristics described above using the following indicators:

Exclusion criteria: Attainment of the exclusion criteria will be measured by the share of investments in activities on exclusion lists applicable to the Fund.

Positive impact: To track the impact contribution of Sandwater's portfolio, one or more company-specific KPIs ("**Impact KPIs**") are defined for each investment. The Impact KPIs are the quantifiable link between a potential investee company's activities and outputs, and Sandwater's stated impact focus areas above. Examples of Impact KPIs for each of the thematic categories are listed below:

1. Resource efficiency
 - Tons of waste avoided or reduced
 - Area farmed regeneratively
 - Tons CO₂e reduced
2. Energy transition
 - Renewable energy generated
 - Renewable energy storage capacity installed
 - CO₂e reduced
3. Human health and wellbeing
 - Lives improved
 - Health spend reduced
4. Impact enablers
 - CO₂e under management
 - Green finance unlocked

Impact KPIs and associated methodologies will be co-developed with the investee company, and prior to investment, Sandwater will work to ensure commitment from the company to regularly report on these metrics.

Negative externalities: Negative externalities caused by the Fund's investments will be assessed and, when deemed relevant based on, inter alia, the presumed negative impact of the investment, be quantitatively measured using both environmental-, social- and governance-related indicators. The indicators include:

1. Environmental indicators:
 - GHG emissions (Scope 1, 2, 3 and total)
 - Activities negatively affecting biodiversity sensitive areas
 - Emissions to water
 - Hazardous waste
2. Social and governance indicators:
 - Unadjusted gender pay gap
 - Board gender diversity

- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Lack of anti-corruption and anti-bribery policies
- Exposure to controversial weapons

The Investment Manager will as part of the due diligence process assess whether a potential investee company poses a risk of causing material adverse impacts to the environment and/or society based on the above indicators, and, if investment is made in the company, regularly update this assessment throughout the ownership period. Prior to investment, the Investment Manager will work to ensure the investee company management's commitment to monitor and report on a regular basis on indicators deemed relevant, and to take mitigating actions where material adverse impacts are identified.

Impact Driven Enterprises: Attainment of the share of Impact Driven Enterprises in the Fund's portfolio will be measured by the share of the portfolio consisting of companies which, in the Investment Manager's overall assessment, meet the criteria for such investments as defined above.

● ***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?***

N/A. While the Fund may make sustainable investments, the Fund does not commit to making a minimum share of such investments.

● ***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. While the Fund may make sustainable investments, the Fund does not commit to making a minimum share of such investments.



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

N/A.

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

For all sustainable investments contemplated by the Investment Manager, an assessment will be conducted of investee company's alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights by ensuring adequate policies and procedures are in place, including a human rights due diligence procedure performed on an iterative basis in order to cover changes in risk exposure that can trigger more in-depth assessment and enhanced mitigation. Where such policies and procedures are lacking, investment will be conditional on the investee company's commitment to implement them within 6 months of the investment.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

- Yes, _____
- No

What investment strategy does this financial product follow?

The Fund invests in scale-up companies, predominantly at the Series A-level. Investee companies should have clear commercial traction, a unique and proven technology/product/service, an established organisation and other professional investors onboard. The Fund also invests in other funds. These indirect investments are not be tracked with Impact KPIs and thus are not used to attain the environmental or social characteristics promoted by the Fund. The Fund's allocation is further detailed below.

Investee companies are and will be located mostly in the Nordics, but the Fund has made and may make further high conviction investments in other developed geographies.

The Fund has a thematic approach, focusing on the themes "Resource efficiency", "Energy transition", "Human health and wellbeing" and "Impact enablers", as further explained in the Impact and ESG Investment and Risk Policy. The Investment Manager applies the Impact and ESG Investment and Risk Policy as part of its strategy for the Fund on a continuous basis. The Impact and ESG Investment and Risk Policy is annexed to the Investor Presentation as Annex 7.

The Fund aims for a portfolio size of 15-20 companies, taking a minority stake while having as a norm to obtain a board seat; either directly or as an advisor. The Investment Manager will practice active ownership during the ownership phase, aiming for exit after five years.

● **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 binding elements to select investments to attain the environmental and social characteristics promoted by the Fund are

- (i) the application of the Impact and ESG Investment and Risk Policy of the Investment Manager, which includes the exclusion criteria applicable to all funds under management by the Investment Manager, the methodology for tracking positive impact through the use of Impact KPIs and the assessment of negative externalities caused by investee companies,

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

- (ii) the application of the exclusion criteria set out in the Investment Mandate pertaining specifically to the Fund, and
- (iii) the commitment set out in the Investment Mandate to invest [50]% of the total commitments of the Fund, calculated on the basis of amounts investible after deduction of all relevant costs and holdings in cash and cash equivalents, in Impact Driven Enterprises, as defined above.

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

Asset allocation describes the share of investments in specific assets.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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

N/A. There is no such committed minimum rate.

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

The assessment of good governance practices is part of the investment analysis, in which the Investment Manager assesses selected governance related matters, such as management structures, employee relations, remuneration of staff and tax compliance.

To that end, the Investment Manager will apply indicators such as the investee companies' compliance with international standards and conventions (i.e., the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights), accurate reporting to markets and the public, taxation and accounting practices, and respect of shareholder rights.

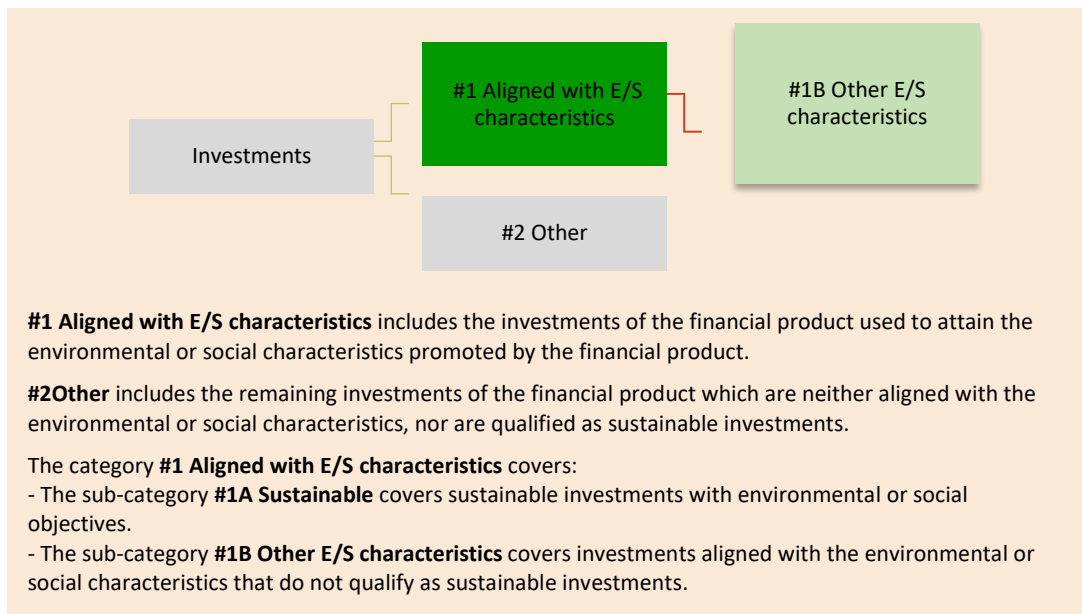
What is the asset allocation planned for this financial product?

The Fund invests in scale-up companies. The Fund mainly makes direct investments, but may also invest companies indirectly through other funds. For a further explanation of the targeted characteristics of investee companies, please refer the above description of the investment strategy and the Investor Information Document.

The Fund intends to use all of the direct investments to meet the environmental and social characteristics it promotes, as further described above. The indirect investments make up [X]% of the Fund's investments. Accordingly, the minimum proportion of the investments of the Fund used to meet the environmental or social characteristics it promotes is [100-X]%.

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

N/A. The Fund will not use derivatives.





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

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.

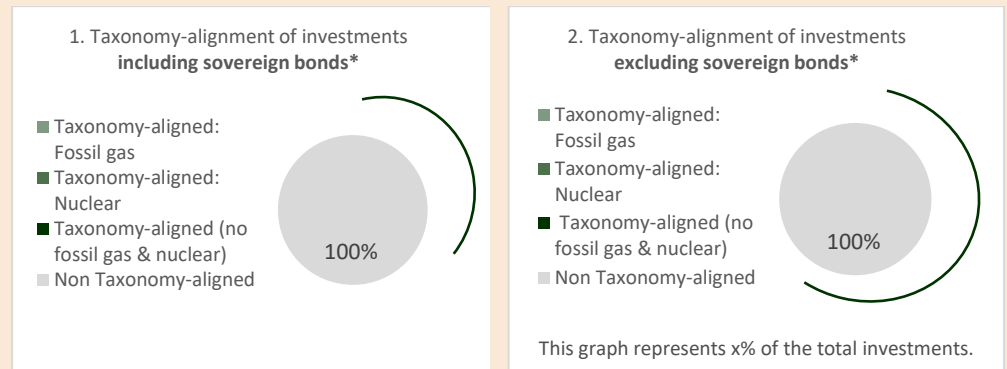
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:

In fossil gas In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

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

The Fund does not commit to making a minimum share of investments in transitional or enabling activities.



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

The Fund does not commit to making a minimum share of sustainable investments.



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

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

¹ 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.

The section "#2 Other" includes investments in companies made indirectly through other funds. Such funds invest in the same investment universe as the Fund. At the date of this disclosure, [●]% of the Fund's investments are such indirect investments.

[Purpose of the indirect investments]

[any minimum environmental or social safeguards]



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.

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

N/A. There is no designated index.

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

N/A. There is no designated index.

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

N/A. There is no designated index.

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

N/A. There is no designated index.

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



Where can I find more product specific information online?

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

<https://sandwater.com/sustainability>

